THE TROUBLE WITH THE UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY (UDRP): DECONSTRUCTING COMMON ASSUMPTIONS AND DEVELOPING A NEW APPROACH TO “CYBERSQUATTING”

By

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ABSTRACT

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This thesis challenges the association between cybersquatting and trademark infringement. It shows that only a small number of domain name/trademark disputes constitute trademark infringement, passing off or dilution as prohibited in Canada and the United States. It argues that it is a mistake to use trademark law to justify the granting of relief against “cybersquatting”, because it amounts to an unjustified expansion of trademark owner’s rights over the general public’s freedom to use trademarks for non-trademark purposes. It then argues that in order to reduce the number of bad decisions under the ICANN’s Uniform Domain Name Dispute Resolution Policy (UDRP), it is necessary to identify what exactly is wrong with cybersquatting. After concluding that none of the rationales most often put forward are truly satisfactory, this thesis suggests that the civil law doctrine of abuse of rights is a better legal framework for dispute resolution mechanisms like the UDRP.
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INTRODUCTION

Once upon a time (it seems so long ago already), the Internet was a small system of networks aimed at facilitating communication between research, military and educational institutions. During the mid-1980s, the population of Internet users expanded and began to include commercial entities. At the beginning of the 1990s, the existing restrictions on commercial use of the Internet were eliminated.

When McDonald's first registered a domain name, it registered the abbreviation <mcd.com>. Joshua Quittner, of the magazine Wired, taking advantage of the fact that domain names are allocated on a "first come, first serve" basis, registered the domain name <mcdonalds.com>. At first, the administrators of McDonald's did not realise the potential value of Quittner's domain name. But when Quittner advertised the fact that he was in possession of a potentially valuable asset and started receiving letters suggesting that the domain name should be donated to a vegetarian organization, ransomed, or sold to Burger King, McDonald's requested to have the domain name transferred to it. Facing Quittner's refusal to give it up, McDonald's finally agreed to pay US $3,500 to a Brooklyn public school, for the purchase of computers and a connection to the Internet, in exchange for the domain name. Although the general public might have been amused by stories of that type, trademark owners were not happy. Not happy at all. They were losing control of what they like to consider their "property". The "cybersquatting" cases multiplied and although trademark owners felt that their trademark "rights" were being violated, they could not always catch the "bad guys" by using the existing trademark "tools". So they complained very loudly. And that is how "the DNS wars" began.

In 1998, the United States Department of Commerce issued two documents: A Proposal to Improve the Technical Management of Internet Names and Addresses (the "Green Paper"), and Statement of Policy on the Management of Internet Names and Addresses (the "White Paper"). Among other topics, the White Paper addressed the privatisation of the technical management of

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the DNS, which had been, until then, performed by the United States Department of Commerce. The White Paper stated the United States Department of Commerce's intent to enter into an agreement with a non-for-profit entity to establish the transition of the management functions from the United States Government to such an entity.

The Internet Corporation for Assigned Names and Numbers (ICANN), a private non-for-profit organization, was created in late 1998 to assume responsibility for IP address space allocation, protocol parameter assignment, domain name system management, and root server system management functions. One of the first tasks assigned to the ICANN by the Department of Commerce was to consider:

(... recommendations made by the World Intellectual Property Organization (WIPO) concerning: (i) the development of a uniform approach to resolving trademark/domain name disputes involving cyberpiracy; (ii) a process for protecting famous trademarks in the generic top level domains; (iii) the effects of adding new gTLDs and related dispute resolution procedures on trademark and intellectual property holders; and recommendations made by other independent organizations concerning trademark/domain name issues.

These recommendations by the WIPO were later detailed and incorporated in a document called The Management of Internet Names and Addresses: Intellectual Property Issues, which was published after a series of international consultations. The WIPO Report defines "cybersquatting" as the abusive registration and use of a domain name that is identical or confusingly similar to a trademark or service mark. The WIPO Report also contains many

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2 Both can be consulted at <http://www.ntia.doc.gov/ntiahome/domainname/domainhome.htm>. Note: All Internet addresses are current as of September 6, 2001.
3 <http://www.icann.org>.
4 For a detailed description of the purpose and role of ICANN, as well as the source of its authority, see Memorandum of Understanding Between the U.S. Department of Commerce and Internet Corporation for Assigned Names and Numbers, November 25, 1998, available at <http://www.ntia.doc.gov/ntiahome/domainname/icann.htm>.
5 Ibid., art. V.C.9.d.
7 Known as the "WIPO Process".
8 WIPO Report, supra note 6 at paras. 170ff. Note: Unless otherwise mentioned, the use of the term "cybersquatting" in this thesis refers to the WIPO definition.
suggestions for a uniform dispute resolution mechanism, suggestions that inspired the actual
Uniform Domain Name Dispute Resolution Policy.\(^9\)

The UDRP was approved in October 1999 and now applies to every <.com>, <.net> and <.org>
domain name registration. By applying for a domain name, a registrant represents and warrants
that he or she is not knowingly violating the rights of a third party.\(^10\) He or she also accepts to
submit a certain type of dispute to a mandatory administrative proceeding.\(^11\) This type of dispute
arises when a third party (the "complainant") alleges that: (1) the domain name is identical or
confusingly similar to a trademark or service mark in which the complainant has rights; (2) the
registrant has no right or legitimate interest in respect of the domain name; and (3) the domain
name has been registered and is being used in bad faith.\(^12\)

As of September 5, 2001, 3522 decisions had been rendered under the Policy, for a total of 6302
domain names in dispute. 80% of these cases were decided in favour of the complainant.\(^13\)

Before and during the implementation of the ICANN Policy, critics have expressed concerns
that its application would expand trademark owners' rights beyond what was necessary, and that
other Internet users' interests were being ignored. The WIPO responded that the UDRP would
not be a way of expanding the rights of the trademark holders, but an adaptation of existing
intellectual property standards to the new reality of the Internet:

It is further recognized that the goal of this WIPO Process is not to create new rights
of intellectual property, nor to accord greater protection to intellectual property in
cyberspace than that which exists elsewhere. Rather, the goal is to give proper and
adequate expression to the existing, multilaterally agreed standards of intellectual
property protection in the context of the new, multijurisdictional and vitally
important medium of the Internet and the DNS that is responsible for directing

[hereinafter "UDRP" or "ICANN Policy"]. The ICANN Policy is completed by the Rules for Uniform Domain
\(^10\) ICANN Policy, s. 2.
\(^11\) Ibid., s. 4.
\(^12\) Ibid., para. 4(a).
\(^13\) ICANN, Statistical Summary of Proceedings Under Uniform Domain Name Dispute Resolution Policy,
<http://www.icann.org/udrp/proceedings-stat.htm>. The UDRP decisions can be consulted on the Internet. The
three main administrative-dispute-resolution service providers are World Intellectual Property Organization
(WIPO) (decisions at <http://arbitr.wipo.int/domains/decisions/index.html>), National Arbitration Forum (NAF)
(decisions at <http://www.arbforum.com/domains/domain-decisions.html>), and eResolution (decisions at
<http://www.eresolution.ca/services/dnd/decisions.htm>).
traffic on the Internet. The WIPO Process seeks to find procedures that will avoid
the unwitting diminution or frustration of agreed policies and rules for intellectual
property protection.\textsuperscript{14}

The WIPO insured that since the procedure would apply only to "egregious examples of
deliberate violation of well-established rights", there was no danger that "innocent domain name
applicants acting in good faith being exposed to the expenditure of human and financial
resources through being required to participate in the procedure".\textsuperscript{15}

This thesis is about challenging the association that was made, from the beginning, between
cybersquatting, trademark infringement and unfair competition. In my view, the UDRP is not
an expression of multilaterally agreed standards of intellectual property protection. The UDRP, a
new tool available to the trademark owners against holders of domain names that are similar to
trademarks, has little to do with pre-existing trademark laws, at least with Canadian and United
States laws. In order to show the distinction between "cybersquatting" and trademark violations, trademark laws, as they existed before the UDRP, need to be examined and compared to the UDRP. Both Chapter I and II study the relation between trademark law and
"cybersquatting".\textsuperscript{16}

\textbf{Chapter I} explores the requirements to obtain relief in an action for passing off and in an action
for trademark infringement in Canada, and in an action for trademark infringement at the federal
level in the United States. The first requirement is that the defendant's use of the trademark be
in connection with the sale or offering for sale of goods or services, for the purpose of
distinguishing his or her goods or services from the goods and services of others. The second
requirement is that this use be likely to cause confusion, in the average consumer's mind, as to
the source, association, sponsorship or endorsement of the defendant's goods or services.

\textsuperscript{14} WIPO Report, supra note 6 at para. 34 [footnote omitted].
\textsuperscript{15} Ibid. at para. 160.
\textsuperscript{16} This thesis does not study the details of the new Anticybersquatting Consumer Protection Act [ACPA] (Included
as part of the Intellectual Property and Communications Omnibus Reform Bill, Pub. L. No. 106-113, §§ 3002 and
3003 (1999), codified at 15 U.S.C.A. §§ 1125(d) and 1117(d)), which resembles, in its substance, the UDRP and is
now part, in the United States, of the federal legislation on trademarks. Because the ACPA, like the UDRP, was
enacted in reaction to the cybersquatting phenomenon, and almost at the same time, it cannot be said to be part of
the "existing, multilaterally agreed standards of intellectual property protection" the WIPO Report refers to (see
WIPO Report, ibid. at para 34). Not being a citizen of the United States, I preferred to look at the most
"international" of the new tools available to trademark owners against "cybersquatters". The comments,
suggestions and conclusions contained in this thesis may as well be transposable to the ACPA. However, that is not
the focus of this thesis.
Chapter I also explores how these requirements have been applied (and adapted) to the new reality of the Internet and particularly to uses of trademarks in domain names. The aim is to show how the passing off and trademark infringement causes of action are ill equipped to "catch" "cybersquatters". Indeed, as I will argue, most "cybersquatters" are not infringing trademark owners' rights.

Chapter II introduces the controversial notion of dilution. To obtain relief under the Federal Trademark Dilution Act in the United States, the plaintiff must prove that its trademark is famous and distinctive, that the junior user is making a "commercial use in commerce" of a mark or trade name, and that the distinctiveness of the plaintiff's famous trademark is likely to be diluted as a consequence. The second part of Chapter II deals with the protection offered by the Canadian Trade-marks Act against uses of a trademark "in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto". Chapter II also looks at how these two versions of "trademark infringement without confusion" have been adapted to trademark/domain name disputes. In some instances, especially in the United States, courts too eager to catch "cybersquatters" have grossly stretched the requirements for a finding of dilution, a doctrine already very "trademark owners-friendly". In fact, cybersquatting has little to do with dilution if we look at the text of the FTDA, as well as at the rationale behind anti-dilution protection.

Chapter III challenges the statement, contained in the WIPO Report, that the UDRP is an expression of multilaterally agreed standards of intellectual property protection. In that part of the thesis, the ICANN Policy, as well as a number of decisions rendered under this new regime, are analyzed in light of the traditional requirements to obtain relief under trademark law and dilution laws. The aim is to show that a lot of these UDRP disputes would not (or should not) have been decided in favour of the trademark owner had they been brought before courts applying United States or Canadian trademark law. Chapter III concludes that the UDRP is something other than trademark law, and that referring to trademark law in order to justify the

17 Dilution is usually defined as the lessening of the capacity of a famous trademark to identify and distinguish goods or services.
transfer or cancellation of domain names that are not infringing any pre-existing trademark rights is a mistake.

This said, the fact that the UDRP does not correspond to what it was declared to be does not render it unjustified. A cheap and efficient dispute resolution mechanism is necessary, for various economic reasons. What is not clear is what should be the content of that Policy, and how the discretion granted to the panelists applying the Policy should be exercised. As much as classical cases of "cybersquatting"\textsuperscript{20} may be shocking, some trademark owners seem to be wanting to use the UDRP for reasons just as illegitimate. The problem is that in some instances, the UDRP panels are acting as if they were willing to co-operate in that enterprise. Now if trademark law cannot serve as a justification for these domain name transfers and cancellations, why are these transfers and cancellations ordered? What, exactly, is wrong with cybersquatting?

Chapter IV argues that if the UDRP is not just a new way of applying trademark law, but is something other, there is a need to define that "something other" and to better justify the transfer or cancellation of domain names. Chapter IV explores different possible justifications for the UDRP, and in particular the misappropriation rationale as developed in \textit{International News Service v. The Associated Press}\textsuperscript{21} by the United States Supreme Court. After concluding that none of these justifications are truly satisfying, Chapter IV identifies problems with the actual application of the ICANN Policy. Then it is argued that the existence of these problems is partly be caused by the absence of solid justifications for the UDRP.

Chapter V offers a different perspective on the phenomenon of abusive domain name registration and use: the civil law doctrine of abuse of rights. This doctrine is based on the principle that the exercise of a right, which is normally perfectly legal, may become illegal if it meets the criteria of abuse. Chapter V contains an overview of the doctrine as applied in France and in Québec. Then, the possibility of applying these civil law principles to domain name disputes is examined. With the objective of coming up with a dispute resolution mechanism that would be more balanced between the interests of the trademark owners and those of the non-trademark users of the Internet, I suggest new criteria to distinguish between what is really

\textsuperscript{21} (1918) 248 U.S. 215.
abusive and what is not, and explores new forms of remedies. What is interesting about looking at the "cybersquatting phenomenon" from an abuse of rights perspective is that it shifts the burden of proof back to whom it belongs: the trademark owner.

22 This thesis is not about finding a better way of allocating domain names. Rather, it focuses on how to deal with domain name disputes that are a consequence of the actual "first come, first serve" allocation system.
I- TRADEMARK LAW IN CANADA AND THE UNITED STATES

The foundation of the law of trade marks is that when a person, knowing that goods are not made by a particular trader, sells them as and for the goods of that trader, he does that which injures that trader.1

The classical concept of trademark protection is based on use.2 By using a mark, a trade name, a label, a get-up that has come to be associated with a product in the public's mind, a trader acquires a property right in the goodwill associated with the distinctive feature of his or her brand. He or she becomes the only one to legally be entitled to use the distinctive feature for the purpose of distinguishing his or her products or services from the products or services of another. However, the right in a trademark is not equivalent to a right in the word or mark itself, to a right "in gross":

The case contains a number of letters to third persons which make it evident that the appellant deems itself to have the equivalent of a copyright in the word mark and in each component; but that is not so; the trade mark monopoly is to protect the business of the appellant, not a proprietorship of the word itself.3

Therefore, the right in a mark, a trade name, a label, a get-up, etc. does not necessarily prevent all traders from using it.

Both common law and statutory law govern trademark law in Canada and in the United States. In this chapter, I will examine the law of passing off as it is applied in Canada, as well as the law of trademark infringement in Canada and in the United States. The aim is to provide an overview of the rules and principles on which trademark law is based. This overview will serve to understand the distinction between trademark law and "cybersquatting". As I argue later, "cybersquatting" does not always amount to a violation of trademark laws.

1 H.G. Fox, The Canadian Law of trade Marks and Unfair Competition, 3rd ed. (Toronto: Carswell, 1972) at 1
2 Report of the Trade Mark Law Revision Committee (Ottawa: Queen's Printer, 1953) at 23 [hereinafter 1953 Report].
A- Canada

The Trade-marks Act\(^4\) defines a trademark as “a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired, or performed by him from those manufactured, sold, leased, hired or performed by others”.\(^5\) Trademark law in Canada is a mixed regime: a trademark is protected by both the common law, thorough the tort of passing off\(^6\), and the by the provisions of the Trade-marks Act.

1. Passing Off

A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practice such a deception, nor to use the means which contribute to that end.\(^7\)

This early expression of the tort of passing off only reflects one type of the unfair practices that are now actionable under the modern law of passing off. The House of Lord’s decision in A.G. Spalding & Brothers v. A.W. Gamage Ltd.\(^8\) is considered to have opened the door to the expansion of the definition of passing off. In this case, the plaintiffs were in the business of manufacturing and selling footballs. Their goods were known as “Orb”. Over the years, they had sold their goods under different names: “Improved Orb”, “Special Bramble Pattern Orb”, etc. One year, they had to withdraw from sale a line of moulded balls, after receiving complaints about them. These defective footballs were then sold to a waste rubber merchant, who re-sold them to the defendants. The following year, in 1912, the plaintiff catalogued an “Improved Sewn Orb” and advertised it as a “great improvement on the old moulded ball”. The same year, the defendants catalogued the defective footballs and names them “Improved Orb”, “Celebrated Orb” and “the Improved Orb Football, Patent No. 15,168”. In their catalogue, they reproduced pictures from the plaintiff’s catalogue, attributed to their goods the same characteristics as in the 1912 plaintiffs’ catalogue, and advertised that they were selling footballs for half their regular price. Lord Parker of Waddington, after having reviewed the leading passing off cases, wrote:

\(^5\) Ibid., s. 2.
\(^7\) Perry v. Truefitt (1842), 49 E.R. 749 at 752 (Ch.).
\(^8\) (1915), 32 R.P.C. 273 (H.L.).
My Lords, the proposition that no one has a right to represent his goods as the goods of somebody else must, I think, as has been assumed in this case, involve as a corollary the further proposition, that no one, who has in his hands the goods of another of a particular class or quality, has the right to represent these goods as the goods of that other of a different quality or belonging to a different class. Possibly, therefore, the principle has to be reformulated as follows:-- A cannot, without infringing the rights of B, represent goods which are not B's goods or B's goods of a particular class or quality to be B's goods or B's goods of that particular class or quality. The wrong for which relief is sought in a passing off action consists in every case of a representation of this nature.9

This principle established, the task was to determine whether or not the defendants had in fact misrepresented the defective balls as the same balls as those referred to in the plaintiffs' catalogue and being sold by the plaintiff's as the "Improved Sewn Orb". The House of Lord unanimously concluded that it was the case.

So the range of behaviours that could be qualified as "passing off" increased with time. However, some courts have long been reluctant to intervene in cases where the plaintiff and the defendant were not doing business in the same area of trade. In McCulloch v. Lewis A. May (Produce Distributors), Ltd.10, for instance, the plaintiff was hosting a radio programme for children, in which he was identified as "Uncle Mac". The plaintiff had acquired a wide reputation among the general public, and particularly among children. When the defendant started selling and marketing cereals under the name "Uncle Mac's Puffed Wheat", the plaintiff sought an injunction to restrain the defendant from selling, offering or advertising puffed wheat "in such a manner that is calculated to suggest that the plaintiff is responsible for or associated with the production or marketing of such puffed wheat or other products".11 The Court considered that the necessary elements of passing off were not present:

I have listened with care to all the cases that have been cited, and on analysis I am satisfied that there is discoverable in all those in which the court has intervened the factor that there was a common field of activity in which, however remotely, both the plaintiff and the defendant were engaged and that it was the presence of that factor that grounded the jurisdiction of the court.

...
On the postulate that the plaintiff is not engaged in any degree in producing or marketing puffed wheat, how can the defendant, in using the fancy name used by the plaintiff, be said to be passing off the goods or business of the plaintiff? I am utterly unable to see any element of passing off in this case.\textsuperscript{12}

The \textit{McCulloch} decision was later said to be contrary to previous authorities\textsuperscript{13}. The "common field of activities" as an absolute requirement for a court to intervene in a passing off action, was later expressly rejected by Lord Diplock in \textit{Erven Warnink BV v. J. Townend & Sons (Hull) Ltd.}:

(...) [W]here although the plaintiff and the defendant were not competing traders in the same line of business, a false suggestion by the defendant that their business were connected with one another would damage the reputation and thus the goodwill of the plaintiff's business.\textsuperscript{14}

However, the common field of activities is still relevant when determining if there is a likelihood of confusion.\textsuperscript{15} Instead of being a strict requirement like in the past, the "common field of activity" is now a factor, among others, susceptible of contributing to consumer confusion. The importance of this factor will vary according to the facts before the Court.

A plaintiff in a passing off action must show (1) the existence of goodwill, (2) deception of the public due to a misrepresentation and (3) actual or potential damage to the plaintiff.\textsuperscript{16} Paragraph 7(b) of the \textit{Trade-marks Act} reads:

\textsuperscript{12} \textit{Ibid.} at 851 [emphasis added].
\textsuperscript{15} \textit{Harrods, supra} note 13 at 714 ("The absence of a common field of activity, therefore, is not fatal; but it is not irrelevant either. In deciding whether there is a likelihood of confusion, it is an important and highly relevant consideration"). See also \textit{Stringfellow v. McCain Foods (GB) Ltd.}, [1984] R.P.C. 501 (C.A.) (Potato chips and expensive night clubs are not close enough businesses for confusion, even confusion as to an endorsement, to be likely. Here there was some evidence of confusion as to an association between the two businesses in some parts of the public, but not in the relevant public's mind. The absence of uniqueness, or acquired secondary meaning, in the name "Stringfellow" was also a determinant factor.), \textit{Lego Systems A/S v. Lego M. Lemelstrich Ltd.} [1983] F.S.R. 155 at 187 (Ch.D.) (Reaffirming the importance of a common field of activities in the tort of passing off. However, in that particular case, passing off was found even if the activities of the parties were not related, because of the "famousness" of the trade mark LEGO), \textit{Lyngstad v. Anabas Products Ltd.}, [1977] F.S.R. 62 at 67-68 (Ch. D.).
7. No person shall
...
(b) direct public attention to his wares, services or business in such a way as to cause
or be likely to cause confusion in Canada, at the time he commenced so to direct
attention to them, between his wares, services or business and the wares, services or
business of another.

Section 7 is considered a codification of the common law doctrine of passing off. Therefore,
the following discussion will consider cases under both common law and paragraph 7(b).

a) The Existence of Goodwill

Like any other thing which suggests one simple idea, it is difficult, if not impossible,
to define it. Goodwill was described as “that which makes tomorrow’s business more than an accident; it is
the reasonable expectation of future patronage based on past satisfactory dealings”.

The requirement to show the existence of goodwill is rooted in the principle that a mark must be
distinctive of the plaintiff’s business, wares or services. The value of a mark is in its capacity to
correspond, in the public’s mind, to the wares and services of the plaintiff. Without
distinctiveness, there is nothing worth protecting. Therefore, the more inherently distinctive the
mark is, the less difficult it will be to prove goodwill. On the other hand, if the mark is a generic
or descriptive word, the plaintiff will need to prove that through its use, the word has acquired a
“secondary meaning”, i.e. that although the mark is not invented, the public has come to
associate it with a single source.

There is no requirement that the purchasing public, prior to the defendant’s use of a similar trade
name or get-up, has known the manufacturer by name. It is sufficient to show that the defendant
has imitated a “unique or distinctive dress” which is recognized by the buying public as the

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17 MacDonald v. Vapour Canada Ltd. (1976), 22 C.P.R. (2d) 1 at 14 (S.C.C.), Eli Lilly and Co. v. Novopharm Ltd.
18 The Commissioners of Inland Revenue v. Muller & Co.’s Margarine Ltd., [1901] A.C. 217 at 238 (commenting
on the concept of “goodwill”).
19 E. S. Rogers, Goodwill, Trademarks & Unfair Trading (1914) at 13, cited by David RANGEL ORTIZ, Trade
Marks: International Protection and Basic Features of the Mexican and Canadian Legal Systems, LL.M. Thesis
(University of Toronto, 1979) at 168.
identifier of a unique source. In other words, it is not enough that the products of the plaintiff and of the defendant be similar: it is necessary that the general public has come to think of the product's name or "dress" as having a particular origin. However, the identity of that origin does not have to be known of the public.21

b) The Likelihood of Confusion Due to Misrepresentation

(i) Intent to Deceive

The intent to deceive is no longer a requirement in the tort of passing off.22 But a court is free to consider this "aggravating factor" in its decision to grant or not relief, if the other elements of the tort are present:

I think that in the assessment of the competing interests the defendant's conduct is highly relevant. As far as freedom of trade and the reasonable expectations of business people are concerned, the interests of a dishonest defendant are entitled to less weight that those of a defendant who has acted in good faith.23

(ii) Cognizable Confusion

Confusion, or likelihood of confusion24, is an essential element to be shown to obtain relief in a passing off action.

Since its first appearance in the common law, the tort of passing off has evolved. The Courts now recognize different types of consumer confusion as actionable. Actionable confusion has been found in cases of confusion as to the source of goods or services25, as to a connection between the two businesses, or the endorsement of one business by the other26, and as to the quality or class of the goods or services.27

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21 Ibid. at 504.
22 Consumer Distributing Co. v. Seiko Time Canada Ltd. (1984), 1 C.P.R. (3d) 1 at 15 (S.C.C.). See also Ewing v. Buttercup Margarine Co. [1917] 2 Ch. 1 (C.A.) [hereinafter Buttercup] (The defendant's name, although innocently adopted, was likely to cause confusion).
23 Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. (1985), 50 O.R. (2d) 726 at 742 (C.A.) [hereinafter Orkin].
24 It is sufficient to prove likelihood of confusion to obtain relief. See Source Perrier (Société anonyme) v. Canada Dry Ltd. (1982), 64 C.P.R. (2d) 116 at 122 (Ont. H.C.), Eli Lilly, supra note 17 at 422.
The appropriate test to apply when determining if the public is likely to be confused is well expressed in *Henry Thorne & Co. v. Sandow*:

(...) [Y]ou ought not to consider what mistakes merely ignorant and careless people may make; it is far more important that fair and honest trading should not unnecessarily be interfered with than that every fool in the country should be protected from the consequences of his own folly. Therefore, I think you must deal with the ordinary man and woman who would take ordinary care in purchasing what goods they require, and, if desiring a particular brand, would take ordinary precautions to see that they get it.  

The test is therefore whether the average consumer, showing reasonable care, is likely to be confused.

**Average Consumer**

In *Mr. Submarine Ltd. v. Emma Foods Ltd.* 29, the Ontario High Court of Justice was asked to grant an injunction preventing the defendant from passing off his submarines as those of the plaintiff. Both parties were operating a food stand at the Canadian National Exhibition. The defendant was operating its business in a similar-looking booth as the plaintiff's (exterior painted in red and white, sign with the word “submarine” in red lettering on a white background, surrounded by a border of red and yellow dots, etc.). As of the test to be applied to determine if there was a likelihood of confusion, Mr. Justice Estey said:

The standard to be applied is not that of a person fully familiar with the detailed operations of a plaintiff and therefore capable at once of distinguishing those of the Defendant form those of the plaintiff but rather that of a person who has a vague recollection or understanding of the business or product of the plaintiff and who, on being faced with that of the Defendant, may well be confused of deceived as to the ownership or nature of the goods or the proprietor of the business in question.  

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29 (1976), 34 C.P.R. (2d) 177.  
The hypothetical “average consumer” will be different according to the product or service in question.\(^{31}\) For instance, when dealing with real estate development and investment services, the relevant public is the real estate development community, and the average consumer is presumably sophisticated and knowledgeable.\(^{32}\) On the other hand, the average consumer of concentrated lemon juice is deemed to be less sophisticated.\(^{33}\)

In *Ciba-Geigy*, the Supreme Court of Canada clarified that the consumers the tort of passing off is meant to protect are both direct customers (the retailers who deal with the manufacturer, for instance) and indirect customers (i.e. the end consumers).\(^{34}\) Therefore, if the retailer is not likely to be confused, that is not the end of the story: the likelihood that the average “ultimate consumer” will be confused is always relevant.

**Reasonable Care**

The type of confusion sought to be prevented is genuine confusion as to the source of the goods. The doctrine is not designed to prevent carelessness, ignorance or misinformation on the part of the consumer.\(^{35}\)

In *Prairie Maid Cereals Ltd. v. Christie, Brown & Co. Ltd.*\(^{36}\), the plaintiff, a manufacturer of pretzels sold under the name “Tuffy's Nuts n' Bolts” filed a passing off action against the manufacturer of similar pretzels, sold under the names “Bits and Bites”. The passing off action was based on the existence of similarities in the get-ups. Both packages showed pictures of a bowl of pretzels, with representations of happy social scenes in the background. The trial judge had considered that there was a likelihood that the “customer in whose mind there is only a vague recollection of the plaintiff’s package, one who, for example, was served 'Tuffy's Nuts n' Bolts' at a friend's house and had only a brief glance at the package out of which they were poured and who a day or two later goes shopping for the same thing” would be deceived.\(^{37}\) The

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\(^{31}\) *Ciba-Geigy*, supra note 16 at 397.

\(^{32}\) *Greystone*, supra note 25 at 55.

\(^{33}\) *Reckitt & Coleman*, supra note 16 at 877.

\(^{34}\) *Ciba-Geigy*, supra note 16 at 399 (referring to Lord Diplock's use of the expression “ultimate consumers” in *Enven Warninck*, supra note 14).


\(^{36}\) (1966), 48 C.P.R. 289 (B.C.C.A.) [hereinafter *Prairie Maid Cereals*]. This case was decided under para. 7(b) of the *Trade-marks Act*.

\(^{37}\) *Ibid.* at 294 (quote from the trial judge decision, 46 C.P.R. 270 at 274-275).
Court of Appeal rejected that conclusion, declaring that the test was rather the one applied in the leading case of J.B. Williams Co. v. H. Bronnley & Co. Ltd.:

The whole question in these cases is whether the thing - taken in its entirety, looking at the whole thing - is such that, in the ordinary course of things, a person with reasonable apprehension and with proper eyesight would be deceived.38

The Court of Appeal considered that although there were similarities between the packages, there were enough differences, including the names of the products and the names of the manufacturers, to conclude that the average consumer showing reasonable care would not be deceived39, and allowed the defendant's appeal.40

The care that the average consumer will normally show when purchasing goods or requesting services will also vary according to the nature of the goods or services.41 It is presumed that the "average consumer" buying a car will show more care than the same person buying a bag of potato chips.

c) The Damage

Often in passing off actions, the likelihood of damage is presumed if the other two elements of the tort of passing off are proven.42 The rationale behind it is that if the public is probably being deceived, then there is probably damage done to the plaintiff's business.43

d) Passing Off and Domain Names

(i) A Trip to the United Kingdom

By far the most famous case of passing off in the domain name context is the English case of British Telecom plc v. One In A Million Ltd.44, where the Court of Appeals considered that for the purpose of granting an injunction for passing off, the registration of a domain name, without

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39 Prairie Maid Cereals, supra note 36 at 294-295.
40 Ibid. at 296.
41 See Ciba-Geigy, supra note 16 at 397.
further use in connection with a web site, was sufficient. The facts of this case are typical of a “cybersquatting” case: the defendants were in the business of registering domain names incorporating famous trademarks, in the hope of selling them for profit to the owner of the famous trademark, or to a third party. The plaintiffs were the owners of famous marks in the United Kingdom, such as Marks & Spencer, British Telecommunications (BT), Virgin, Sainsbury, Ladbroke and Cellnet. The defendants had explicitly threatened to sell the domain names to third parties not related to the plaintiffs. The trial judge granted injunctive relief and the defendants appealed the decision.

The Court of Appeals, speaking through the words of Lord Justice Aldous, found that the trial judge had jurisdiction to grant injunctive relief in a passing off action. The Court gave various reasons for accepting that a passing off action was appropriate in the circumstances, and that an injunction should be granted. First, it found that the mere registration of the name Marks & Spencer amounted to passing off:

Thus anybody seeing or hearing the name [Marks & Spencer] realises that what is being referred to is the business of Marks and Spencer plc. It follows that registrations by the appellants of a domain name including the name Marks & Spencer makes a false representation that they are associated or connected with Marks & Spencer plc. This can be demonstrated by considering the reaction of a person who [types] into his computer the domain name marksandspencer.co.uk and presses a button to execute a 'whois' search. He will be told that the registrant is One In A Million Ltd. A substantial number of persons will conclude that One In A Million Ltd. must be connected or associated with Marks & Spencer plc. That amounts to a false representation which constitutes passing off.45

This reasoning implies that the mere registration of unique names such as Marks & Spencer constitutes passing off. But what kind of passing off are we talking about here? As we understand the tort of passing off, it is concerned with preventing traders from selling their goods or services as the goods or services of other traders, from making people think that they are associated with another trader, or that their goods or services have received the endorsement of another trader.46 Did the Court of Appeals think that the average consumer is likely to believe that Marks & Spencer plc has entered the business of selling domain names incorporating its own trade name? Did the Court think that even if consumers are not confused

45 Ibid. at 497.
as to the source, they might believe that Marks & Spencer plc is associated with a business that sells Marks & Spencer domain names? At the moment of the court proceedings, the only "products" offered by the defendants were domain names, and they were doing it under the trade name One In A Million, not under the trade name Marks & Spencer.

Second, also with regards to the domain names comprising the name Marks & Spencer, the Court considered that they were "instruments of fraud" because any realistic use of such unique name as domain names "would result in passing off". Therefore, according to the Court, an injunction was appropriate because even if the domain names were not used in association with a web site at that moment, there was a real danger that they would be transferred to a third party, which third party could not possibly use them in a manner that would not result in passing off. In the Court's opinion, domain names incorporating such unique trade names as Marks & Spencer are "inherently deceptive". This notion of "inherently deceptive" domain names could, if taken literally, extend the scope of trademark owner's rights to an extraordinary degree. Indeed, this classification suggests that if a domain name is "inherently deceptive", the courts will ignore any evidence put forward by a defendant with regards to the purpose of the registration of the domain name. The Court's definition of an "inherently deceptive" domain name is a name which "will by reason of its similarity to the name of another, inherently leads to passing off". Since when is the similarity between the two names the only criterion for concluding in passing off? We understand that the Court has given such definition of "inherently deceptive" in the context of a "unique" trade name like Marks & Spencer, not in the context of any trade name. But even when dealing with "unique" names, the law of passing off has always required the plaintiff to show that the public was likely to be deceived by the defendant's use of that similar trade name. Why would it be different for domain names? No good reason comes to mind. And even if there was a good reason to make such distinction between domain names and the "real world", the Court does not seem to have limited the scope of its decision to cyberspace. For these reasons, the One In A Million case constitutes a very dangerous precedent.

46 See section A-1.b)(iii) of this chapter, above.
47 One In A Million, supra note 44 at 497.
48 Ibid. at 495.
49 Ibid. at 493.
Third, the Court considered the other domain names, the ones not comprising Marks & Spencer. It concluded that although the brand names they contained were not as distinctive or unique as the name Marks & Spencer\(^{50}\), they were also "instruments of fraud" because they incorporated brand names that were famous and the facts of the case showed that there had been a threat to trade using the domain name or to equip a third party to do so.\(^{51}\)

The Court identified three situations where courts should intervene: (1) where passing off is established or threatened; (2) where the defendant is a joint "tortfeasor" with another in passing off, whether actual or threatened; and (3) where the defendant has equipped himself or intended to equip another with the "instrument of fraud".\(^{52}\)

*One In A Million* is a dangerous case. It contains over-broad wording, which, if taken literally, could change the entire meaning of the concept of passing off. One who is not in favour of such expansion of trademark rights will hope that Canadian Courts will be more prudent in their attempt to adapt the tort of passing off to cyberspace.

(ii) Back in Canada

There are not a lot of Canadian cases dealing with passing off in the Internet context, and an even fewer number of them are discussed on the merits.\(^{53}\) In *PEINET Inc. v. O'Brien*\(^{54}\), the

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\(^{50}\) The Court acknowledged that there are people called Sainsbury and Ladbroke, and that Virgin and BT could be the name of other enterprises (ibid. at 497).

\(^{51}\) The Court concluded that the appellants had registered the domain names in dispute because of the goodwill attaching to those names:

> It was the value of that goodwill, not the fact that they could perhaps be used in some way by a third party without deception, which caused [the appellants] to register the names. The motive of the appellants was to use that goodwill and threaten to sell it to another who might use it for passing off to obtain money from the respondents. The value of the names lay in the threat that they would be used in a fraudulent way. The registrations were made with the purpose of appropriating the respondent's property, their goodwill, and with the intention of threatening dishonest use by them or another. The registrations were instruments of fraud and injunctive relief was appropriate just as much as it was in those cases where persons registered company names for a similar purpose. (ibid. at 498).

\(^{52}\) *Ibid.* at 493. The Court also found that the defendant had infringed the plaintiff’s registered trademark, but the decision contains very little analysis of that finding.

\(^{53}\) In the following cases, for instance, an injunction was refused either because there was no serious question to be tried, because there was no irreparable harm to be suffered, because the balance of convenience did not favour the plaintiff, or a combination of these factors: *Toronto.com v. Sinclair (c.o.b. Friendship Enterprises)*, [2000] F.C.J. No. 795, June 1, 2000 (F.C.T.D.), *Norigen Communications Inc. v. Ontario Hydro Energy Inc.* [2000] O.J. No. 3763, October 11, 2000 (Ont. S.C.). In *ITV Technologies, Inc. v. WIC Television Ltd.* [1997] F.C.J. No. 1803 (F.C.T.D.), the interlocutory injunction was denied for absence of irreparable harm. Previously, an interim injunction had been granted in the absence of the other party ([1997] F.C.J. No. 1645). In *Itravel2000.com Inc. (c.o.b. Itravel) v. Fagan*, [2001] O.J. No. 943, March 12, 2001 (Ont. S.C.), an interlocutory injunction was granted
plaintiff, a network services provider doing business under the corporate name PEINET Inc., sought an interlocutory injunction to prevent the defendant from using the domain name PEI.NET. The Court dismissed the application on the grounds that the plaintiff had not established the three elements of passing off. On the question of the existence of a likelihood of confusion, the Court concluded that confusion was unlikely because defendant's domain name contained a period between PEI and NET, while plaintiff's corporate name did not.\textsuperscript{55} Quite surprisingly, the court also took into consideration the fact that plaintiff used upper case lettering, while defendant's domain name was in lower case lettering.\textsuperscript{56} The Court failed to appreciate that domain names are not case sensitive. Because it considered the lettering factor as being determinant, the Court dismissed the plaintiff's application for an injunction without discussing the content of the defendant's web site. Rather, it considered that the plaintiff had not succeeded in refuting the defendant's argument that anyone using the Internet would not confuse the two businesses.\textsuperscript{57} Because the plaintiff did not meet its burden to show that there was a likelihood of confusion due to misrepresentation, the application failed. However, if the Court had not taken into consideration the case lettering, it should have considered that the parties could easily be confused because they were both using their web site to offer Internet services.

Because the decision on confusion in \textit{PEINET} is based on a factor that should not be taken into account when dealing with domain names, the case is not very helpful to identify what the position of the Canadian courts on the question of passing off and domain names is.

More recently, in \textit{Airline Seat Co. v. 1396804 Ontario Inc.}\textsuperscript{58}, Justice Mesbur, of the Ontario Superior Court of Justice, dismissed a motion by the defendants to strike plaintiff's claims of passing off. The plaintiff was a British travel company carrying on business as Canadian Affair, and using the domain name <www.canadian-affairs.com> for a significant portion of its

\textsuperscript{54} (1995), 61 C.P.R. (3d) 344 (P.E.I.S.C.T.D.) [hereinafter \textit{PEINET}].
\textsuperscript{55} \textit{Ibid.} at 337.
\textsuperscript{56} \textit{Ibid.}
\textsuperscript{57} \textit{Ibid.} at 338.
business. One of the defendants had obtained the domain name <canadianaffair.com>, and, on his web site, advertised the imminent launching of a pornographic site. Justice Mesbur briefly examined the plaintiff's allegations, and was not convinced that the claim for passing off disclosed no reasonable cause of action. It will be interesting to read the decision on the merits.

The first case to deal with allegations of passing off on the merits is **British Columbia Automobile Association v. Office and Professional Employees' International Union, Local 378**. The facts of this case are important, since the case dealt with both allegations of passing off and allegation of depreciation of the goodwill attached to the trademark, contrary to section 22 of the **Trade-marks Act**.

The plaintiff was BCAA, the British Columbia Branch of the Canadian Automobile Association. The defendant was a trade union that represented some BCAA employees. In January 1999, BCAA employees, represented by the defendant, began a lawful strike action. In March 1999, the defendant created a web site that looked similar to the BCAA official web site (site 1). After BCAA complained, the site was modified in April 1999 (site 2). Then, in October 1999, the defendant adopted a new and different web site (site 3). All sites contained the Union's messages to the public concerning the ongoing labour relations' campaign. The plaintiff's allegations of passing off and violation of section 22 concerned all three web sites. The public could access BCAA's official web site by typing <www.bcaa.com>, <www.bcaa.org> or <www.bcaa.bc.ca>. The defendant's web sites could be accessed by typing <www.picketline.com> (sites 1 and 2), <www.bcaanonstrike.com> (sites 1, 2 and 3) and <www.bcaabacktowork.com> (site 3).

The judge first dealt with whether the Union's current web site (site 3) constituted passing off. In that case, the discussion was solely on the use of the trademark BCAA in the domain name and in meta tags, and not on its use on the web site. The judge came to the conclusion that

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60 Section 22 of the **Trade-marks Act** is analyzed in Chapter II, below, as well as the part of the **BCAA** decision that deals with section 22.
61 **BCAA**, supra note 59 at para. 32:

A meta tag is part of a website not automatically displayed on the user's computer screen in the normal course of viewing a website. A meta tag is put on the website by the website owner to provide key information about the web site. Through the use of meta tags, a website creator can
there was no passing off because the Union's web site was sufficiently distinct from the BCAA web site to not confuse Internet users. The factors taken into consideration by the judge were:

(1) the fact that the domain name used by the defendant was not identical to the plaintiff's trademark; (2) the fact that the meta tags used by the defendant were not identical to the meta tags used by the plaintiff for its web site; (3) the fact that the defendant was not competing commercially with the plaintiff but was rather attempting to communicate its message to the public about an ongoing labour relation campaign; and (4) the presence of a disclaimer ("Greetings, OPEUI is on strike against the BCAA.") on the Union's web site.

According to the judge, "...the use of similar meta tags or domain names is of less significance in a labour relation or consumer criticism situation, partly because there is far less likelihood that there will be confusion." The plaintiff argued that for the above argument to be valid, the defendant's domain name and the meta tags used in its web site should only describe the type of content of the defendant's web site, and not be a vehicle to draw people searching for the BCAA site to the Union site. The judge qualified the argument as "unrealistic":

Here, I think that there were legitimate reasons for the Union to use the domain names and the meta tags it presently uses. The defendant's current use of meta tags is not a misrepresentation. I think that if a site wishes to operate as a lawful vehicle during a strike or as a consumer criticism site, it must be able to reach people who are attempting to find an employer's or a producer's site. Otherwise the Union's lawful activities or the activities of the consumer groups will be significantly frustrated.

... The fact of a labour dispute, which is apparent from the Union website is, I think, immediately clear to any reasonable or rushed observer. It is equally clear that the site is not endorsed by or the property of the B.C. Automobile Association.

The judge further added that the common law should be interpreted in a manner that consistent with the Canadian Charter of Rights and Freedoms.
The judge then considered the first and second web sites (sites 1 and 2). The plaintiff's claims of passing off concerned the look of the web site, the domain names and the meta tags. Site 1 was found to be very similar to the BCAA web site:

A casual or hurried observer who had seen the BCAA site might well be confused that this was a BCAA sponsored site because of the striking visual similarities: the colour, the size of the font and the placement of the logos.68

Also taken into account was the fact that the meta tags in site 1 duplicated the BCAA's web site meta tags and contained references that were not relevant to the Union's web site or message. The judge also acknowledged that although deliberate misrepresentation was not a necessary element of the tort of passing off, that it could constitute evidence of confusion. He then concluded that this intent to confuse the public was present in the first site. This opinion was motivated by the fact that the first phrase on the Union's web site, “Greetings BCAA is on Strike”, was confusing and gave no indication to the visitor that it was not a BCAA official site.69 Site 2 was found to not constitute passing off, because the confusing elements of site 1 (presence of the CAA logo, lettering, and “greetings” message) were not reproduced in site 2.70

In Saskatoon Star Phoenix Group Inc. v. Noton71, the plaintiff, the owner of the newspaper the Star Phoenix, also available on-line at <www.thestarphoenix.com>, requested an assessment for damage and an order for permanent injunctive relief with respect to its claim of passing off. The defendant did not appear at the hearing. The affidavit submitted by the plaintiff showed that the defendant had created a web site using the address <http://saskatoonstarphoenix.com>. The defendant's web site looked exactly the same as the plaintiff's main page, except that (1) he had replaced the plaintiff's advertising banners by his own; (2) he had added, at the bottom of his main page, the message “Noton Inc. now offers FREE Internet Access & FREE Website Hosting CLICK HERE”; and (3) his page contained the mention that “saskatoonstarphoenix.com is designed, hosted and marketed by Noton Inc.”. The defendant's web site also contained meta tags that were similar to those of the plaintiff's.

68 Ibid. at para. 212.
69 Ibid. at para. 211.
70 Ibid. at para. 213.
71 Star Phoenix, supra note 42.
Apart from the confusing web site, the defendant also maintained a web site for Noton Inc., where he was offering domain names for sale. Among others, he was offering <http://thestarphoenix.com> and <http://starphoenix.com>. He was also maintaining a web site at <http://shoppingonlinemadeeasy.com>. Listed under “courtesy links” was “The Star Phoenix”. When a person clicked on this link, he or she was taken to the defendant's <saskatoonstarphoenix.com> main page.

When the plaintiff became aware of the existence of the defendant's activities, its lawyers communicated with the defendant, asking him to stop using the plaintiff's trademark. The defendant refused, but nonetheless offered the domain names for sale to the plaintiff.

The Court found that the plaintiff was the owner of the goodwill associated with the name Star Phoenix and that certain members of the public had been deceived into thinking that the defendant's site was the official plaintiff's site. In fact, the plaintiff had received e-mails from confused readers complaining about the defendant's site. The Court said that in such a case, damage was presumed. Therefore, it was found that the plaintiff had established the three necessary elements of passing off. The Court ordered the defendant to stop using the domain names and the name “Star Phoenix”, and to stop creating confusion with the plaintiff's business. The transfer of the three “problematic” domain names to the plaintiff was also ordered, to eliminate the possibilities that the defendant may sell them to third parties:

The plaintiff also requests that the defendant be ordered to transfer to the plaintiff registration of the three domain sites referred to above. Its point is that without such an order the defendant would be free to sell the names to a third party whose use of the names would be beyond the control of the plaintiff. Given the fact the defendant admits that he is in the business of selling domain names, there is merit to this request. Therefore, it is ordered that the defendant transfer to the plaintiff registration of the three domain site names referred to above within 30 days.

This case contains a mix of two types of domain name related problems: “real” passing off (the use of the domain name confusingly similar to the plaintiff's mark, in association with a commercial web site almost identical to the plaintiff's web site), and speculation (the registration of domain names containing a trademark for the sole purpose of reselling them).

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72 Ibid. at para. 13.
73 Ibid. at paras. 21-22.
According to the criteria examined above, the tort of passing off would not normally extend to the second type of "problem". The discussion on the merits only contains an application of the classical test of passing off to the use of the plaintiff's trademark in association with a similar web site. It is only at the stage of discussing if the defendant should be condemned to pay punitive damages that the Court makes a distinction between the two behaviours:

The defendant's use of the plaintiff's website material to pass off his Noton StarPhoenix site as that of the plaintiff's is in a different category than his registration and sale of domain names. It is difficult to imagine that he thought this activity was legal, and yet, tied in as it was to his overall scheme of selling back registered domain names this activity was not "so malicious, oppressive and high handed that it offended this court's sense of decency".74

It is not clear whether the Court in Star Phoenix considered that Noton's speculation activities constituted passing off, if it considered, like in One In A Million, that the domain names were "instruments of fraud", or if it included the other domain names in the injunction because "real" passing off was found for one of the defendant's web site. It is hard to speculate on what the decision would have been if the defendant had not used the plaintiff's trademark in association with a similar web site but only registered the domain names to sell them for profit. Hopefully, the Star Phoenix case will not be used as a precedent to find passing off in domain name speculation.

2. Trademark Infringement
Another way of obtaining relief for a trademark owner is to allege trademark infringement. Although trademark infringement can occur when a mark, or a similar word, is incorporated in a domain name, many cases of "cybersquatting" do not constitute trademark infringement. In this section, the requirements for the granting of relief for trademark infringement will be examined. The aim is to help distinguish between domain name cases that constitute trademark infringement, and domain name cases that do not. The principles identified in this section will serve to argue, in Chapter III, that the new rules contained in the UDRP do not correspond to trademark law.

74 Ibid., at para. 20.
The registration of a trademark grants its owner with the exclusive rights to use it in association with certain wares and services in Canada. Trademark infringement occurs when an unauthorized person makes a use of that trademark that is within the scope of the registrant's exclusive rights.

The first pieces of legislation on trademarks recognized a right of action against the junior user of a trademark only if the mark was being used in association with the same category of goods for which the senior user was already using the mark. In other words, the KELLOGG'S trademark would only be considered infringed if the junior user were using it in association with cereals. The Unfair Competition Act, 1932 showed an effort of the legislator to lay down principles designed to ensure that a trademark would be given a wider ambit of protection. However, the courts continued to apply the traditional concepts of trademark protection, and their interpretations of the concepts of "similar trade marks" and "similar wares" resulted in aberrations. Under the Unfair Competition Act, 1932, it has been judged that electric and blade razors were not similar wares and that leather footwear was not similar to rubber footwear, to name only a couple of examples. These strict limitations gave rise to comments that trademarks were not given the necessary protection, and that the law should reflect the fact that the goodwill of a trader may be harmed even when its trademark is used on goods that are not of the same category. A revision committee was put in place and in 1953, it released a report, in which these concerns were addressed. It was recommended that the notions of "similar in relation to trade marks" and "similar in relation to wares" be replaced by the notion of "confusion":

In our view, the focal point at which any system of trade mark protection should aim is the prevention and elimination of confusion. ... [T]his confusion may exist as to the source of origin of wares and services, or as to the person who guarantees their character and quality.

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75 Trade-marks Act, s. 19.
76 1953 Report, supra note 2 at 23.
78 Ibid., paras. 2(k) and 2(l). See also 1953 Report, supra note 2 at 25.
81 For more, see 1953 Report, supra note 2 at 24.
82 Ibid. at 26.
The Trade-marks Act was enacted in 1954, following the release of that report. The registration of a trademark confers the following right:

19. Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to use throughout Canada of the trade-mark in respect of those wares or services.83

A trademark is infringed if a third person violates the exclusive right conferred by section 19. Section 20 of the Trade-marks Act also provides a cause of action:

Infringement

20. (1) The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name (...).

Contrary to a plaintiff in a passing off action, the plaintiff in an action for infringement does not have to prove that goodwill is attached to the trademark. The registration of that trademark is sufficient to have a right to oppose other traders. In fact, the inherent or acquired distinctiveness of a name is a prerequisite for its registration as a trademark.84 Also, the exclusive right granted is valid throughout Canada, meaning that there is no requirement that the mark has acquired a reputation in the region where the alleged infringement has occurred.

A trademark can be infringed in two ways. Section 19 is violated if the same mark (as registered)85 is used in association with wares and services of the same class as those for which the trademark was registered.86 Section 20 is violated if a confusingly similar mark is used in a confusing way.

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83 Section 30 of the Trade-marks Act obliges the registrant of a mark to specify the wares or services in relation to which he or she is registering the trademark.
84 Trade-marks Act, ss. 12-13.
85 Mr. Submarine Ltd. v. Amandista Investments Ltd. (1987), 19 C.P.R. (3d) 3 at 8 (F.C.A.) [hereinafter Mr. Submarine v. Amandista].
86 Canadian Council of Blue Cross Plans v. Blue Cross Beauty Products Inc. (1971), 3 C.P.R. (2d) 223 at 231 (F.C.T.D.), Pink Panther Beauty Corp. v. United Artists Corp., [1998] 3 F.C. 534 at 548-549 (F.C.A.) [hereinafter Pink Panther]. D.R. Bereskin argues that the two sections should be read together and that proof of likelihood of confusion is required under both sections. He justifies his opinion by saying that if the two sections were independent from each other, the requirement that the mark be valid would be repeated in section 20, and the
a) The “Use” Requirement

The expression “the exclusive right to the use of such trademark throughout Canada in respect of such wares and services” refers to a use “for the purpose of distinguishing or so as to distinguish wares or services manufactures, sold, leased, hired or performed by him from those manufactured, sold, leased, hired of performed by others”, within the meaning of section 2 of the Trade-marks Act.\(^{87}\) In other words, the registration of a trademark does not give the holder of the certificate the exclusive right to any use of the mark, not even any commercial use of the mark. The registration gives the registrant the exclusive use of the mark “as a trademark”.\(^{88}\)

Also, the judge in Clairol interpreted the word “use” in section 19 of the Trade-marks Act as referring to the definition of “use” in section 4\(^{89}\), and the same reasoning was applied to section 20 in Michelin.\(^{90}\) Section 4 reads:

When deemed to be used

4. (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.

Idem

exceptions of section 20 would be repeated in section 19. According to him, it makes no sense to interpret the Trade-marks Act otherwise (D.R. Bereskin, “Trade-mark Use”, in G.F. Henderson, Trade-marks Law of Canada (Toronto: Carswell, 1993) 97 at 111). But see J.D. Kokonis, “The Scheme of the Canadian Trade-marks Act”, in G.F. Henderson, Trade-marks Law of Canada (Toronto: Carswell, 1993) 75 at 80 and 93 (considering that section 19 of the Act makes it “no longer necessary to establish a likelihood of the public being deceived, as in a case of an action for passing off.”). Author’s comment: If section 19 is to be interpreted as meaning that to be infringing, the junior user must be using the mark as registered and in association with the same wares and services as the registered mark, it is reasonable to presume that confusion is likely to occur in these circumstances. However, it does not mean that the confusion rationale is no longer relevant. In Sprint Communications Co. L.P. v. Merlin International Communications Inc. (2000), 9 C.P.R. (4th) 307 [hereinafter Sprint Canada], for instance, paragraph 6(5) of the Trade-marks Act, which enumerates factors to be taken into consideration by the courts in determining if there is a likelihood of confusion, was applied to section 19.

\(^{87}\) Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd. (1968), 55 C.P.R. 176 at 192 (Ex. Ct.) [hereinafter Clairol].

\(^{88}\) D.R. Bereskin, supra note 86 at 109.

\(^{89}\) Clairol, supra note 87 at 198-190. The details of the Clairol case are discussed in Chapter II, below.

(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

This interpretation led Mr. Justice Thurlow to rule that the use of a trademark on the package of a good can constitute infringement, while the same use in advertising brochures cannot.  

Daniel R. Bereskin does not agree with this restrictive interpretation of sections 19 and 20. He is of the opinion that:

It is not necessary to prove “use” within the meaning of section 4 to prove infringement under sections 19 and 20. For example, use of a trade-mark in advertising might constitute “use” under section 20, even though advertising would not normally constitute “use” under section 4. The more critical issue is whether the use is a “trade-mark” use, i.e. the use for the purpose of distinguishing.

Bereskin's opinion makes sense. In effect, section 20 explicitly refers to advertisement as being a potentially infringing activity in relation with both wares and services. Why would the drafters of the Trade-marks Act have restricted, in another part of the Act, what they have explicitly included in the section on infringement itself? The most reasonable interpretation of section 4, in my view, is that it was meant to apply to “use” as a requirement for registering a trademark and not for the purpose of determining if infringement has occurred. However, for the purpose of this thesis, it will be considered that section 4 applies to sections 19 and 20.

b) The “Confusion” Requirement

(...) A comparison of the two forms of action, indicating that likelihood of deception is a proper ingredient on equal terms in each type of action is shown by the observation of the Master of Rolls in the June Perfect case, to the effect that the statute law relating to infringement of trade marks is based on the same fundamental idea as the law relating to passing off. This observation is equally applicable to the law of infringement of trade marks and passing off in Canada.

91 Clairol, supra note 87 at 190.
92 D.R. Bereskin, supra note 86 at 109 [references omitted].
93 The 1953 Report confirms that view:
In section 19 and 20 we have provided that an action for infringement shall lie against any person who sells, distributes or advertises any wares or services in association with the registered trade mark or a confusing trade mark who is not entitled to under the Act (1953 Report, supra note 2 at 26).
94 See section 40 of the Trade-marks Act, which requires the registrant of a trademark to have used the trademark in Canada before the registration is completed.
95 In effect, in most cases where “use” is discussed, the Clairol interpretation has been followed. See e.g. Michelin, supra, note 90, National Hockey League v. L.A. Kings, Ltd., [1995] B.C.J. No. 310, February 17, 1995, par. 15 (B.C.C.A.).
96 H.G. Fox, supra note 1 at 380.
As in a passing off action, when it comes to determine if there is a likelihood of confusion in an infringement case, the Court must ask itself if the consuming public is likely to be misled.\footnote{Pepsi-Cola Co. of Canada Ltd. v. Coca-Cola Co. of Canada Ltd., [1940] 1 D.L.R. 161 at 171 (S.C.C.), Mr. Submarine v. Amandista, supra note 85 at 14-15.} The test was well resumed by Mr. Justice Décary, of the Federal Court of Appeal:

To decide whether the use if a trade-mark or trade name caused confusion with another trade-mark or trade name, the court must ask itself whether, as a matter of first impression on the mind of an ordinary person having a vague recollection of that other mark or name, the use of both marks or names, in the same area in the same manner is likely to lead to the inference that the services [or wares] associated with those marks or names are performed [or offered] by the same person, whether or not the services [or wares] are of the same general class.\footnote{Miss Universe Inc. v. Bohna (1994), 28 C.P.R. (3d) 381 at 387 (F.C.A.). See also Sprint Canada, supra note 86, Trade-marks Act, paras. 6(1) to 6(4).}

Therefore, the expression “confusing trade-mark” in section 20 does not only refer to confusion of marks, but to confusion as to the source of the wares or services that they are associated with.\footnote{Pink Panther, supra note 86 at 549.}

When determining if confusion is likely, all the surrounding circumstances of the case are relevant, but the Act provides the courts with five factors to be considered. These factors are: (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known; (b) the length of time the trade-marks or trade-names have been in use; (c) the nature of the wares, services or business; (d) the nature of the trade; and (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.\footnote{Trade-marks Act, para. 6(5).} Therefore, as with passing off, a common field of activities, or in the case of trademarks, wares or services of the same class, is not necessary. However, as in passing off actions, the more the wares or services are similar, the more confusion is likely to be found.\footnote{Pink Panther, supra note 86 at 551.}
c) Trademark Infringement and Domain Names

The few Canadian cases dealing with trademark infringement and domain names either gave satisfaction to the plaintiff on other grounds\textsuperscript{102}, or refused to grant an injunction for other reasons, such as the absence of a trademark registration\textsuperscript{103}, or a failure to meet the requirements for the granting of an interim or interlocutory injunction.\textsuperscript{104}

The only Canadian case that discusses trademark infringement in relation to domain names under section 20 of the Trade-marks Act is Bell ExpressVu Limited Partnership v. Tedmonds & Co. Inc.\textsuperscript{105} In that case, the plaintiff brought a motion for summary judgement for a permanent injunction as well as for relief regarding a web site operated by the defendants. Shortly after the plaintiff filed an action against the defendants for reasons not related to domain names, the defendant registered the domain name <expressvu.org>, which they used for a web site dedicated to the issue raised in the first action, namely allegations of grey market activities. The defendants' web site also contained meta tags that directed Internet users searching for Bell ExpressVu to the defendants' web site. The plaintiff alleged violation of sections 20 and 22 of the Trade-marks Act.

The Court refused to grant the injunction for various reasons. The judge distinguished the facts before him from the facts in One In A Million\textsuperscript{106}, and Panavision International L.P. v. Toeppen\textsuperscript{107}. In effect, the defendants in Bell ExpressVu were not in the business of selling domain names to their "legitimate owners", but were using the domain name for a web site promoting criticism of the plaintiff and as a commercial enterprise. The judge wrote that the activities of the defendants could be considered protected by paragraph 2(b) of the Charter of Rights and Freedoms.\textsuperscript{108} He also took into consideration the fact that the defendants' web site

\textsuperscript{102} E.g. Bell Actimedia, supra note 53.
\textsuperscript{103} Norigen Communications Inc. v. Ontario Hydro Energy Inc., supra note 53.
\textsuperscript{105} [2001] O.J. No. 1558, April 25, 2001 (Ont. S.C.) [hereinafter Bell ExpressVu]. In Sprint Canada, supra note 86, the defendant had also registered a domain name incorporating the plaintiff's trademark, but only after the action for infringement on other grounds was commenced. Therefore, the discussion did not concern the domain name registration.
\textsuperscript{106} One In A Million, supra note 44.
\textsuperscript{107} 945 F.Supp. 1296 (C.D.Cal. 1996), aff'd 141 F.3d 1316 (9th Cir. 1998). This case is discussed in Chapter II, below.
\textsuperscript{108} Bell ExpressVu, supra note 105 at 43.
contained a disclaimer to find that there was no likelihood of confusion.\textsuperscript{109} The judge did not directly discuss the fact that the defendants' use of the plaintiff's trademark was not within the definition of "use" contained in the \textit{Trade-marks Act}.

\textbf{B- United States}

In the United States, trademarks and unfair competition are regulated by both Congress and state legislatures. Here, only federal law is examined.\textsuperscript{110} The \textit{Lanham Act} is the federal statute that regulates both registered and unregistered trademarks in the United States. The term "trademark" is defined as "any word, name, symbol, or device, or any combination thereof" which is used by a person "to identify and distinguish his or her goods... from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."\textsuperscript{111}

\textbf{1. Unfair Competition under the \textit{Lanham Act}}

Unregistered trademarks are protected from acts of unfair competition by paragraph 43(a) of the \textit{Lanham Act}.\textsuperscript{112} Registered trademarks are also protected against unfair competition by paragraph 43(a). However, for the purpose of this chapter, only the infringement of registered trademarks will be considered.\textsuperscript{113}

\textbf{2. Trademark Infringement under the \textit{Lanham Act}}

Paragraph 32(1) of the \textit{Lanham Act} reads:

\begin{quote}
(1) Any person who shall, without the consent of the registrant-(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark \textit{in connection with the sale, offering for sale, distribution, or advertising of any goods or services} on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive...
\end{quote}

\begin{footnotes}
\textsuperscript{109} \textit{Ibid.}.
\textsuperscript{110} However, I may refer to some cases applying state law.
\textsuperscript{111} \textit{Lanham Act} \$ 45, 15 U.S.C.A. \$ 1127. "Service mark" is defined in the same terms, and applies to services. For the purpose of this thesis, the two concepts are designated by the term "trademark".
\textsuperscript{112} \textit{Lanham Act} \$ 43(a), 15 U.S.C.A. \$ 1125(a).
\textsuperscript{113} In effect, courts tend to use the same test for all types of trademark infringement, whether it be federally registered, registered in a state, or not registered at all. See J.T. McCarthy, 3 \textit{McCarthy on Trademarks and Unfair Competition}, 4th ed. (Deerfield, IL: Clark Boardman Callaghan, 1996-xx) at 23:1, p. 23-8 and 23-9, \textit{Brookfield Communications v. West Coast Entertainment Corporation}, 174 F.3d 1036 at 1046 n.8 (9th Cir. 1999) [hereinafter \textit{Brookfield}].
\end{footnotes}
Shall be liable in a civil action by the registrant for the remedies hereinafter provided.\textsuperscript{114}

The test for infringement under the \textit{Lanham Act} is well stated in \textit{Estate of Presley v. Russen}:

The test for infringement is … whether the defendant has made a subsequent unauthorized use of marks, which are the same or similar to those marks used by the plaintiff, in the sale or advertising of his goods or services to identify those goods or services; and the defendant’s use creates a likelihood of confusion or deception as to the source of those goods or services.\textsuperscript{115}

a) The “Use” Requirement

In the \textit{Lanham Act}, the word “commerce” is used to designate all commerce which may lawfully be regulated by Congress.\textsuperscript{116} The expression “use in commerce” means the bona fide use of a mark in the ordinary course of trade.\textsuperscript{117} For the purpose of the Act, a mark is deemed to be used in commerce:

(1) on goods when
   (A) it is placed in any manner on the goods or their containers on the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
   (B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.\textsuperscript{118}

In \textit{Lucasfilm Ltd. v. High Frontier}\textsuperscript{119}, the plaintiff, owner of the famous trademark STAR WARS, was suing different interest groups that were using the expression “Star Wars” in television messages aimed at communicating opinions in favour, or against, the Reagan Administration’s Strategic Defence Initiative (SDI). The plaintiff alleged that associating STAR WARS with this political controversy was injuring the valuable goodwill it had achieved by

\textsuperscript{114} \textit{Lanham Act} § 32(1), 15 U.S.C.A § 1114(1) [emphasis added].
\textsuperscript{117} \textit{Ibid.}
\textsuperscript{118} \textit{Ibid.}
developing a mark associated with imaginary battles among fantastic creatures. The judge first reminded the plaintiff that he could not claim any property right in words commonly found in the English language, and that his trademark rights were limited to the use of the words in association with its products and services, and to the right to prevent others from using it in association with their goods and services, if such use was to cause confusion. The plaintiff suggested that the defendants' effort to persuade the public of their viewpoint was a service within the meaning of the Lanham Act. To that argument the Court responded:

Federal trademark laws, however, only prohibit unauthorized "use in commerce" of a trademark "in connection with the sale, offering for sale, distribution or advertisement of any goods or services". ... "Use in commerce" is defined as placing the mark on goods sold in commerce or using or displaying it in the sale or advertising of services rendered in commerce. ... Purveying points of view is not a service. ... Trademark law does not reach such uses. ... The purpose of trademark regulation is to prevent unfair competition and protect consumers from fraud and deception... These laws do not reach into the realm of public discourse to regulate the use of terms outside the context of trade. ... Trademark laws regulate unfair competition, not the parallel development of new dictionary meanings in the everyday give and take of human discourse.

More recently, in WHS Entertainment v. United Paperworkers International Union, the meaning of "use in commerce" in section 45 of the Lanham Act was discussed. In this case, the owner of a Nashville restaurant complained that the reproduction of the logo WILDHORSE SALOON on flyers distributed by a worker's Union was an infringement of its rights in the trademark. The flyers were bearing a parody of the logo and listing a series of health violations committed by the owner of the restaurant. The Court reviewed the requirement of "use in commerce" under section 45 and concluded that if the flyers could be considered "goods", they were certainly not "sold or transported in commerce", because the flyers were distributed at no cost and were only distributed in and close to the premises of the restaurant. The Court also rejected the allegation that the Union's use of the trademark was related to the "sale or advertising of a service", because it was of the opinion the Union was not advertising itself or its services, but was rather pressuring an employer in a labour dispute.

120 Ibid. at 933.
122 997 F.Supp. 946 (M.D.Tenn. 1998) [hereinafter WHS Entertainment].
123 Ibid. at 949.
124 Ibid. at 950-951.
These cases are good illustrations of the requirement that the defendant's use of the plaintiff's mark be in connection with the sale, advertising for sale, distribution, or advertising of goods and services.

However, the courts in the above cases did not have to acknowledge the existence of the requirement that the use of the plaintiff's mark by the defendant has to serve the purpose of identifying the defendant's goods and services:

(...) The test for infringement is whether the actor's use of a designation as a trademark, trade name, collective mark, or certification mark creates a likelihood of confusion [...]. The likelihood of confusion standard applies in infringement actions at common law as well as in actions arising under the Lanham Act and under state trademark state registration and unfair competition statutes. Whether the use of a particular designation causes a likelihood of confusion must be evaluated in light of the overall market context in which the designation is used.125

This requirement that the junior user be using the infringing mark as an indication of source is well expressed in New Kids on the Block v. New America Pub., Inc.126, a decision by the Court of Appeals for the Ninth Circuit. The Court was confronted with a situation where the defendants, the owners of two important newspapers, both published a survey about the then very popular band the New Kids of the Block. Both surveys were asking the readers to call a 1-900 number and vote for the sexiest, or the best, of the five members of the group. Each phone call cost fifty cents to the caller. Although there was some commercial aspect to the defendants' activities, Circuit Judge Kozinski considered that the use of the NEW KIDS ON THE BLOCK mark by the defendants did not qualify as an infringing use:

Cases like this are best understood as involving a non-trademark use of a mark-- a use to which the infringement laws simply do not apply (...). Indeed, we may generalize a class of cases where the use of the trademark does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one. Such nominative use of a mark -- where the only word reasonably available to describe a particular thing is pressed into service-- lies outside the strictures of trademark law: Because it does not implicate the source-identification

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125 Restatement (Third) of Unfair Competition (1995) § 21 comment (a) [emphasis added]. Also see Estee Lauder, Inc. v. The Gap, Inc., 108 F.3d 1503 at 1508-1509 (2d Cir. 1997).
126 971 F.2d 302 (9th Cir. 1992).
function that is the purpose of trademark, it does not constitute unfair competition (...).\textsuperscript{127}

b) The "Confusion" Requirement

The 'keystone' of trademark infringement is 'likelihood of confusion' as to the source, affiliation, connection or sponsorship of goods or services among the relevant class of customers and potential consumers. Whether a likelihood of confusion exists is a question of fact.\textsuperscript{128}

Like in Canada, the trademark laws of the United States do not require that the parties be in a situation of commercial competition for trademark infringement to be found.\textsuperscript{129} What matters is the likelihood that a reasonable person be confused as to the source or connection of the goods or services.\textsuperscript{130} The care that the consumers are deemed to demonstrate will vary according to the nature of the product purchased.\textsuperscript{131} However, the "likelihood of confusion" test will differ depending on the presence or absence of competition. In AMF Inc. v. Sleekcraft Boats\textsuperscript{132}, the Court of Appeals for the Ninth Circuit explained the distinction:

When the goods produced by the alleged infringer compete with those of the trademark owner, infringement usually will be found if the marks are sufficiently similar that confusion can be expected. When the goods are related, but not competitive, several other factors are added to the calculus. If the goods are totally unrelated, there can be no infringement because confusion is unlikely.\textsuperscript{133}

In Sleekcraft, after having determined that the goods were not truly competing with each other in the case before it\textsuperscript{134}, the Court set up an eight-factor test to help determine if a likelihood of confusion exists when the goods are related but not competitive. These factors are (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be


\textsuperscript{128} AT&T Corp. v. Synet, Inc., 1997 WL 89228 at 6 (N.D.III., 1997) [references omitted].

\textsuperscript{129} Yale Electric Corp. v. Robertson, 26 F.2d 972, 973-974 (2d Cir. 1928), cited in Reddy Communications, Inc. v. Environmental Action Foundation, Inc., supra note 121 at 635.

\textsuperscript{130} WHS Entertainment, supra note 122 at 952.

\textsuperscript{131} Brookfield, supra note 113 at 1060.

\textsuperscript{132} 559 F.2d 341 (9th Cir. 1979) [hereinafter Sleekcraft].

\textsuperscript{133} Ibid. at 348 [footnotes omitted].

\textsuperscript{134} The defendant's boats were race boats intended for "racing enthusiasts", while the plaintiff's boats were intended for "family fun". The Court considered that although there was a potential market overlap, the two lines were not competitive.
exercised by the purchaser; (7) intent; and (8) likelihood of expansion. In discussing the third factor, similarity of the marks, the Court noted that it is not equivalent to the concept of “likelihood of confusion”. According to the Court, the two inquiries are separate. Indeed, it is possible for the average consumer to be in presence of two very similar marks without necessarily thinking that the two products or services have the same source or that their sources are somehow associated with each other.

The Sleekcraft factors have been used in many subsequent decisions and, as will be noted in Chapter III, in a few UDRP decisions.

c) Trademark Infringement and Domain Names

Domain names, like trade names, do not act as trademarks when they are used merely to identify a business entity; in order to infringe, they must be used to identify the source of goods or services.

In Lockheed Martin, the Court had to resolve the question of whether the mere act of registering a confusing domain name could qualify as a trademark infringement. In this case, the trademark owner had sued a domain names registrar, Network Solutions, for trademark infringement, dilution and contributory infringement. On the “use” requirement, the Court affirmed that the mere fact of registering a domain name was not sufficient to qualify, because it was not used “in connection with the sale, distribution or advertising of goods or services”. The Court distinguished the case at bar from Planned Parenthood Fed'n of America, Inc. v. Bucci, where the activities of the defendant had been found to infringe.

In Planned Parenthood, the alleged infringing use was not the mere registration of the plaintiff's trademark in a domain name, but rather the use of the trademark “as a domain name to identify

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135 Sleekcraft, supra note 132 at 348-349. These factors were said to only be applicable to related goods, and not where the goods are completely unrelated: Bally Total Fitness Holding Corp. v. Faber, 29 F.Supp.2d 1161 at 1163 (C.D.Cal. 1998).

136 Sleekcraft, ibid. at 350. See also Brookfield, supra note 113 at 1055

137 E.g. Brookfield, ibid. at 1053-1054. It is to be noted that courts of appeal of other circuits have developed their own multi-factor test (e.g. Polaroid Corp. v. Polaroid Electronics Corp., 287 F.2d 492 (2d Cir. 1961), Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225 (3d Cir. 1978), Pizzeria Uno Corp. v. Temple, 747 F.2d 1522 (4th Cir. 1984), Daddy's Funky Music v. Big Daddy's Family Music, 109 F.3d 275, 280 (6th Cir. 1997)). Although they might slightly differ from the Sleekcraft test, they are very similar.


his web site” in a manner that confused Internet users as to the source or sponsorship of the products offered on the web site. In this case, the plaintiff Planned Parenthood was a sexual health organization providing information about matters related to family planning, at <www.ppfa.org>. The defendant was a pro-life activist and radio host. In 1996, he registered the domain name <plannedparenthood.com>. On the defendant's home page, the Internet users could read “Welcome to the PLANNED PARENTHOOD HOME PAGE!” The user could read strong encouragement to buy and read an anti-abortion book entitled “The Cost of Abortion”, by Lawrence Roberge. The defendant argued that the Lanham Act was not applicable to his web site, because it only contained non-commercial speech. The Court rejected the argument. According to it, the defendant's use of the mark met the requirements of paragraph 32(1) of the Lanham Act because (1) the web site was used to “plug” Roberge's book, thus helping Roberge to sell his book; (2) the web site was merely one portion of a broader effort to educate the public about the “evil” of abortion, by which defendant was soliciting funds to pursue his protesting activities; and (3) defendant's use of the plaintiff's mark were designed to, and did, harm the plaintiff commercially. This interpretation of the requirement that the infringing mark be used in connection with the sale, offering for sale or advertisement of goods or services and as to distinguish these wares and services from those of others is questionable. First, the solicitation of funds to pursue protesting activities is not a use in connection with services, because the services contemplated by the Lanham Act are those offered and performed “in the ordinary course of trade”. Moreover, even if the protesting activities could qualify as “services” within the meaning of the Lanham Act, the plaintiff's trademark was not used to identify and distinguish the defendant's protesting activities. Second, the fact that the defendant's use of the plaintiff's mark harmed the plaintiff commercially is not a relevant factor. A lot of non-commercial activities are harmful to trademark owners, and it takes more then that to qualify them as trademark infringement.

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140 Subpara. 1125(c)(4)(B) of the Lanham Act specifically exempts the “noncommercial use of a mark” from the prohibition.
142 Planned Parenthood, supra note 139 at 1435.
144 Indeed, if “harming commercially” was the criteria for trademark infringement, every critics of trademark owners would be in danger of being successfully sued.
After the Court concluded that the defendant had used the plaintiff's mark "in commerce", it found that there was a likelihood that Internet users reaching the defendant's site would think that they had reached the plaintiff's site.\textsuperscript{145}

A more classical case of trademark infringement involving the use of a domain name is \textit{Cardservice International v. McGee}.\textsuperscript{146} In this case, the defendant McGee had registered the domain name &lt;cardservice.com&gt;, similar to the plaintiff's trademark CARDSERVICE INTERNATIONAL. As a consequence, the plaintiff was "forced" to adopt the less obvious domain name &lt;cardsvc.com&gt;. The defendant was also offering the same type of services as the plaintiff: credit and debit card processing. The Court considered that there was a likelihood of consumer confusion:

Cardservice International's customers who wish to take advantage of its internet services but do not know its domain name are likely to assume that "cardservice.com" belongs to Cardservice International. These customers would instead reach McGee and see a home page for "Card Service". They would find that McGee's internet site offers advertisements for and provides access to the same services as Cardservice International--credit and debit card processing. Many would assume that they have reached Cardservice International or, even if they realize that [it] is not who they have reached, take advantage of McGee's services because they do not otherwise know how to reach Cardservice International.\textsuperscript{147}

The last form of confusion identified by the Court in \textit{Cardservice International} is somewhat different from the traditional form of consumer confusion. Indeed, the Internet user is only temporarily confused and soon realizes that he or she has not hit the desired web site. However, because the content of the "wrong" web site is related to the content of the desired web site, the Internet user may decide to stay on the "wrong" web site instead of attempting to reach his or her initial "destination". This type of confusion is called "initial interest confusion".

In \textit{TeleTech Customer Care Management (California) Inc. v. Tele-Tech Company, Inc.}\textsuperscript{148}, it had been said that the plaintiff had not demonstrated likelihood of success on the merits of its

\textsuperscript{147} \textit{Cardservice International}, ibid. at 741.
\textsuperscript{148} 977 F.Supp. 1407 (C.D.Cal. 1997) [hereinafter \textit{TeleTech}].
trademark infringement action. The Court found that the plaintiff had "only demonstrated an initial confusion on the part of web browsers using the domain name <teletech.com> but finding the Defendant’s web site"149, and that such confusion was not sufficient. The distinction was made between the initial confusion caused by accessing the defendant’s web site while attempting to access the plaintiff’s web site, confusion which can be dispelled by reading the content of the defendant’s site, and actual confusion as to the wares or services, or as to the source or sponsorship or these goods or services, within the meaning of trademark laws. According to the Court “[t]his brief confusion [the first type] is not cognizable under the trademark laws”.150 In Interstellar Starship Servs., Ltd v. Epix Inc.151, however, the Court of Appeals for the Ninth Circuit recognized “a brand of confusion called “initial interest” confusion, which permits a finding of likelihood of confusion although the consumer quickly becomes aware of the source’s actual identity and no purchase is made as a result of the confusion.”152 In that case, the services offered by the defendant on its web site, although not in direct competition with those of the plaintiff, were related. The defendant's web site was used as a repository of photographs, while plaintiff was in the video imaging business. However, evidence indicated that the disputed site contained explanations of how photographs were altered and displayed on the Internet. The Court found this sufficient to infer that defendant was also marketing video imaging services:

When we consider the doctrine of initial interest confusion, this evidence becomes even more compelling. An Epix customer might read about ISS on the “epix.com” site and decide to give ISS's services a try, permitting ISS to capitalize on the goodwill Epix developed in its trademark--even if customer is never confused about Epix's lack of connection to “epix.com”.153

In Brookfield, the plaintiff was the owner of the trademark MOVIEBUFF and was using it in association with entertainment information computer software. The defendant was using the trademark THE MOVIE BUFF'S MOVIE STORE in association with retail store services of videocassettes and video game cartridge rental. Both had a valid registration for the mark, in

149 Ibid. at 1414.
150 Ibid. The Court, however, found that the plaintiff was likely to succeed on the claim of dilution. See also Hasbro, Inc. v. Clue Computing, Inc., Civ. No. 97 10065 DPW (D.Mass. Sept. 2, 1999) at 12 [http://www.clue.com/legal/hasbro/d2.html] [hereinafter Hasbro v. Clue Computing]. Note: All Internet addresses are current as of September 6, 2001.
151 184 F. 3d 1107 (9th Cir. 1999) [hereinafter Interstellar Starship].
152 Ibid. at 1110.
153 Ibid. at 1111.
their respective field of activities. In 1996, the plaintiff attempted to register the domain name <moviebuff.com> and realised that the defendant had already registered it. The day after the sending of a cease-and-desist letter by the plaintiff to the defendant, the latter issued a press release announcing the imminent launch of a web site “full of movie reviews, Hollywood news and gossip, provocative commentary, and coverage of the independent film scene and films in production”. A lawsuit followed.

The Court discussed the application of the eight Sleekcraft factors to the Internet context, warning the courts against excessive rigidity. The first factor examined by the Court was the similarity in the marks themselves, independently from the services offered by the parties. It found that the defendant's <moviebuff.com> was, for trademark law purpose, identical to the plaintiff's trademark MOVIE BUFF. The Court then found that although the two companies were not competitors in the sense that both their activities were identical, their on-line services were quite similar and likely to be used for the same purposes. It noted that “[t]he use of similar marks to offer similar products ... weights heavily in favor of likelihood of confusion”. The Court also found that the “marketing channels used” factor also weighted in favour of Brookfield, because not only both enterprises used the Internet as marketing tools, but both marks were also used in association with web-based products. The Court found that all the circumstances led to the conclusion that consumer confusion was likely:

In the Internet context, in particular, entering a web site takes little effort—usually one click from a linked site or a search engine's list; thus, Web surfers are more likely to be confused as to the ownership of a web site than traditional patron of a brick-and-mortar store would be of a store's ownership.

The other Sleekcraft factors were found to be either irrelevant or not helpful to the defendant. The Court concluded that an Internet user could be confused in many ways. The Internet user could think that the defendant's web site was actually the plaintiff's, that the defendant's site was affiliated to, or sponsored or licensed by, the plaintiff, that the plaintiff had been bought out by

154 Brookfield, supra note 113 at 1054.
155 Ibid. at 1055.
156 Ibid. at 1056.
157 Ibid. at 1057.
158 Ibid. Author’s comment: This statement that Internet users are more likely to be confused than regular consumers is questionable. Internet users are aware that they may not hit the right website on their first try. On the
the defendant, or that the two companies were related. The Internet user could also be perfectly aware that he or she did not hit the right site but nonetheless decide to use the defendant's products instead of the plaintiff's. Thus, the defendant would appropriate the goodwill associated with the plaintiff's trademark to its own profit.\footnote{159} The discussion on the existence of a first interest confusion was pursued in the following part of the decision, which dealt with the use of the plaintiff's trademark in the meta tags of defendant's other web sites:

Web surfers looking for Brookfield's "MovieBuff" products who are taken by a search engine to "westcoastvideo.com" will find a database similar enough to "MovieBuff" such that a sizable number of consumers who were originally looking for Brookfield's products will simply decide to utilize West Coast's offering instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using "moviebuff.com" or "MovieBuff" to divert people looking for "MovieBuff" to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in the mark.\footnote{160}

In \textit{Big Star Entertainment, Inc. v. Next Big Star, Inc.}\footnote{161}, the Court helped define the scope of the "first interest confusion" doctrine when applied to domain names. In this case, the plaintiff was in the business of selling videos, along with the providing of free information about the film industry, chat rooms and interviews with movie celebrities. Its business was conducted on-line at <www.bigstar.com>. The defendants were in the entertainment talent search business, with a web site at <www.nextbigstar.com>, through which they planned to conduct their talent contest and offer related information, chat rooms and interviews with celebrities. The plaintiff urged the Court to recognize that there was a likelihood of first interest confusion, like in \textit{Brookfield}. The Court refused to find accordingly, and distinguished the circumstances before it from the facts in \textit{Brookfield}. First, the Court found that unlike in \textit{Brookfield}, defendants' bad faith could not be inferred from the reproduction of the plaintiff's trademark in meta tags.\footnote{162} Second, it found that a factor that had weighted heavily in \textit{Brookfield}, the identity between the mark and the domain

\footnotesize{other hand, when entering a real store, consumers are expecting it to be the store they are looking for. For further discussion, see Chapter III, section B, below.}

\footnote{159} \textit{Brookfield}, \textit{ibid.} The misappropriation rationale and the relevance of its application to trademarks are discussed in Chapter IV, section B-4, below. For the purpose of this chapter and of chapter III, it is sufficient to acknowledge the fact that the United States courts have been open to adapt the requirements for trademark infringement to the Internet reality.

\footnote{160} \textit{Brookfield}, \textit{ibid.} at 1062. The Court made an analogy with a situation where a competitor (called Blockbuster in the example) would put up a billboard on a highway reading "West Coast Video: 2 miles ahead at Exit 7", where West Coast is really located at another exit but Blockbuster is located at Exit 7 (\textit{ibid.} at 1064).

\footnote{161} 105 F.Supp. 2d 185 (S.D.N.Y. 2000) \textit{[hereinafter Big Star Entertainment].}
name, was not present. Third, the Court distinguished *Brookfield* by saying that the plaintiff's mark was not publicly recognized enough to say that the defendant could appropriate the goodwill associated with the plaintiff's mark to its own profit. Fourth, and even more important, the Court found that the defendants' services were not related enough to the plaintiff's services to consider first interest confusion:

[P]laintiff's reliance on *Brookfield* and its initial interest analysis fails also because of the identity or close relationship between products involved there and in other cases applying the doctrine. These cases, though stressing that the real test for infringement was the likelihood of confusion rather than direct competition, found strong competitive proximity between the products offered by the rival claimants. Accordingly, as in the case of likelihood of other kinds of confusion, the form associated with the diversion of initial interest presumably would not arise, or would be minimized, in circumstances where the products in question are used for substantially different purposes and therefore the merchants are not in close competitive proximity, even if there may be some similarity between their marks.1

In other words, the fact that an Internet user may hit the defendant's web site by typing the plaintiff's trademark in a domain name, or by using the plaintiff's trademark when executing an Internet search, is not sufficient for infringement to be found. The defendant's goods or services must be similar enough to those of the plaintiff so that the potential consumer, once the initial confusion is dispelled, is likely to decide to purchase the defendant's goods or use the defendant's services instead of the plaintiff's. From this perspective, the cases where first interest confusion was recognized as a cognizable form of confusion and the cases where it was not are not incompatible. Indeed, in the cases where it was not recognized, there was no danger that an Internet user searching for the plaintiff's web site could have replaced the plaintiff's goods and services by those of the defendant's.

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168 In *TeleTech*, *ibid.*, the plaintiff was one of the world's largest provider of primarily inbound integrated telephone and Internet customer care, providing "consumer care" for the consumers of TeleTech's clients, which included businesses. The defendant was a contractor providing engineering and installation services to the telecommunication industry. It could be argued that even if the Court had accepted that first interest confusion was "cognizable", that that confusion was not likely enough to occur because the two services were not related enough for someone to choose to use the defendant's services instead of the plaintiff's services. See comment of the Court
Conclusion

In this chapter, trademark law, and its adaptation to the new reality of the Internet, was discussed. This adaptation is taking place in the United States, where multi-factor confusion tests such as the Sleekcraft test are applied with more flexibility to uses of trademarks in domain names, and where the doctrine of "first interest confusion" is recognized. However, even if the existing principles of trademark law are adapted to the Internet, the courts are generally careful not to expand the scope of trademark laws to the point where they would be "denatured". The Courts have generally kept in mind that trademark laws are there to protect consumers against confusion and the businesses against unfair competition, not to grant a copyright-like monopoly in a word or group of words.

In Canada, it is still too early to come to a conclusion as to the openness of the courts to consider first interest confusion and to relax the application of the traditional tests for "use" and "confusion". But it is likely that our courts, if they were to recognize a form of first interest confusion, would make the same distinction between situations like Hasbro v. Clue Computing, where the parties do not offer the same type of goods or services, and situations like Brookfield, where an Internet user could easily decide to stop searching for the plaintiff's web site and give the defendant's products a try. Paragraph 6(5) of the Trade-marks Act makes it clear that the mere similarity between two trademarks or between a trademark and a trade name is not the only criteria to find confusion. The same rule should apply between a trademark and a domain name where the latter is used as a trademark or trade name. In order to find infringement, the content of the web site associated with the domain name must be taken into consideration, just like the nature of the wares and services and the nature of the trade are taken into consideration in both passing off and trademark infringement actions.

We have seen with the One In A Million case that the Court of Appeals in the United Kingdom has been willing to let trademark owners take a passing off action against domain name holders that do not use their domain names in association with any goods or services. This decision has not yet been fully discussed by a Canadian court. Therefore it is not clear whether, in Canada,
passing off will be interpreted as liberally when it comes to trademark/domain name disputes. Hopefully, Canadian courts will resist the temptation to stretch well-established concepts in order to "catch" domain name speculators and other "cybersquatters" who are not in a situation of trademark infringement or passing off.

Because trademark laws are ill-equipped to catch "cybersquatters", who do not necessarily use trademarks in connection with goods or services, or use them at all, most trademark/domain name disputes in the United States have also involved anti-dilution laws. In Canada, some have involved the prohibition against the use of a trademark "in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto". These two causes of action are subject to an analysis in the next chapter.

II- DILUTION: A MOVE FORWARD IN THE RECOGNITION OF TRADEMARKS AS COMMODITIES

Although the major international agreements do not oblige member-States to offer protection against trademark dilution, some have now enacted anti-dilution legislation. The United States has recently enacted federal legislation dealing with this form of injury to trademarks. Since 1954, Canada has had a provision in the Trade-marks Act that is comparable, in its formulation, to anti-dilution provisions in the United States. However, its exact scope is yet to be defined. For this reason, the United States law is used as the basis of the following analysis, and the Canadian legislation is examined in light of what has been discussed with regards to the United States legislation.

This chapter examines the requirements to obtain relief under both the United States federal provisions and the Canadian provision. The aim is to show that protection against dilution, although it represents an expansion of traditional trademark law, is nonetheless too narrow to embrace all cases of “cybersquatting”. The analysis of attempts to apply dilution laws to “cybersquatting” cases will help demonstrate the poor fit between the two concepts.

A- What is Dilution?

1 D. Vaver, Intellectual Property Law: Copyright, Patents, Trade-marks, Essentials of Canadian Law (Toronto: Irwin Law, 1997) at 219. Article 6bis of the Paris Convention for the Protection of Industrial Property of March 20, 1883, U.N.T.S. No. 11851, vol. 828, pp. 305-388 [Paris Convention] obliges its member-states to prohibit the use of a mark identical or confusingly similar to a famous mark already used for identical or similar goods. Article 10bis creates the obligation to assure effective protection against unfair competition. Unfair competition is defined as “any act of competition contrary to honest practices in industrial or commercial matters” [emphasis added].

Article 16(3) of the Trade-Related Aspects of Intellectual Property Rights Agreement, Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on April 15, 1994 [Marrakesh Agreement], extends the application of Article 6bis of the Paris Convention to goods or services which are not similar to those in respect of which a trademark is registered, “provided that use of that trademark in relation to those goods or services would indicate a connection between those goods and services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.” This means that the range of infringing acts is augmented, but that the confusion requirement remains.


3 Trade-marks Act, R.S.C. 1985, c. T-13, s. 22 [hereinafter Trade-marks Act].
In the 1920’s, the author Frank I. Schechter gave the following definition of the injury caused to a trademark owner when his or her mark is used on non-related goods:

It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public's consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.4

It is commonly assumed that Schechter is the “father” of the doctrine of dilution. His famous article contains strong criticisms of the narrow focus of traditional trademark law (that the only function of a trademark is to identify the source of a good, and that that sole purpose of trademark law is to prevent direct competitors to sell their goods as the goods of another). Schechter suggested that the test for infringement be broadened, so as to give trademark owners enough “space” to naturally expend their trade to other lines or fields of enterprise.5 He also argued that inherently distinctive marks should be granted a broader scope of exclusivity than commonplace marks. In his view, the consumer-protection model (likelihood of confusion) could not adequately accommodate the realities of twentieth century marketing. According to him, “the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection”.6 This uniqueness, from which the mark derived its advertising value and selling power, is to be preserved by prohibiting its “dilution”.7 The words used by Schechter to describe what he found wrong in the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name” were so strong that the definitions of “dilution” given today are still influenced by them.8

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5 Ibid. at 823. Author’s comment: This first objective, I think, has been fulfilled by the gradual widening of the meaning of “passing off” (or unfair competition) and “trademark infringement”. Indeed, as seen in Chapter I, above, trademark law has gone from protecting trademarks only against unauthorized uses of the trademark on competing goods (the common field of activities requirement) to protecting trademarks against unauthorized uses that could lead the public to think not only that the defendant’s goods or services were the same as those of the plaintiff but also that the goods or services of the defendant were somehow associated with, or endorsed or sponsored by, the plaintiff. This widening of the scope of trademark protection has contributed to give trademark owners enough “space” to naturally expand their trade.
6 F.I. Schechter, ibid. at 831.
7 Ibid. at 832.
Dilution can be found even where the defendant's use of the mark is not likely to cause confusion, and where the two parties are not in commercial competition with each other. For instance, it is not likely that the average consumer will think that NIKE Restaurant is owned by the manufacturer of the famous NIKE shoes, or that there is some sort of association between the two businesses. However, if the uses of the trademark NIKE in association with other, even unrelated, goods and services multiply, the public will start thinking of NIKE as not just representing one source of goods but as a multitude of sources. Hence, the trademark NIKE will eventually become less strong, unique and distinctive. It will eventually lose its “magic” and, consequently, its selling power.

Anti-dilution laws protect the portion of the value of a trademark that is independent from its association with wares and services. They are designed to protect the “magic” represented by the mark, more than its capacity to provide information to the consumers about the source and quality of the goods or services it identifies:

(...) [T]he law now protects the imaginary values painted by advertising campaigns independent of any features of the products they advertise.

In other words, dilution laws are protecting the power of well-known marks to sell themselves, as if they were commodities.

B- The United States Model: the Federal Trademark Dilution Act
United States courts and legislatures have been wanting to protect trademarks against the erosion of their uniqueness for many years. A few decades ago, courts started to apply state anti-dilution statutes to trademarks disputes where there was no likelihood of consumer confusion. But the debate around the justification of such protection was resumed by the adoption, in 1995, of the Federal Trademark Dilution Act.

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9 As of the absence of requirement that the parties be competitors, the courts in Canada have not yet reached an agreement on the way section 22 of the Trade-marks Act should be interpreted. See section C of this chapter, below.
11 The State of Massachusetts adopted the first such statute in 1947. In 1995 at the moment of the adoption of the FTDA, twenty-six states had anti-dilution statutes (see L. Krafte-Jacobs, supra note 8 at 661). The analysis of the evolution of the doctrine of dilution in the United States through a case study is beyond the scope of this thesis.
1. Requirements for the Granting of Relief Under the FTDA

The FTDA defines dilution as follows:

(...-) the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of-
(1) competition between the owner of the famous mark and other parties, or
(2) likelihood of confusion, mistake, or deception.¹³

The FTDA lists the criteria that have to be met for a trademark owner to succeed in an action for dilution:

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to--
(A) the degree of inherent or acquired distinctiveness of the mark;
(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
(C) the duration and extent of advertising and publicity of the mark;
(D) the geographical extent of the trading area in which the mark is used;
(E) the channels of trade for the goods or services with which the mark is used;
(F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
(G) the nature and extent of use of the same or similar marks by third parties; and
(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought wilfully intended to trade in the owner's reputation or to cause dilution of the famous mark. If such wilful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36 [punitive damages], subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

¹² FTDA, supra note 2.
(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.
(B) Noncommercial use of a mark.
(C) All forms of news reporting and news commentary.\(^14\)

In short, a trademark owner has to show that (1) its mark is famous, (2) the defendant's use of the mark constitutes "commercial use in commerce" and (3) there is a likelihood of dilution.

**a) "Famousness" of the Trademark**

The more famous the mark is, the more valuable it is, the more selling power it has, the more it has to lose if an unauthorized use of it occurs. Famous marks are more likely than others to not only be product-identifiers but to have a value, a "magic", a selling power that is independent from the quality of the goods or services they serve to distinguish.\(^15\) Indeed, if they have become famous, they probably have been sold and advertised a lot, so they have come to represent more than just a sign that serves to distinguish goods and services.

**b) "Commercial Use in Commerce"**

The *FTDA* offers remedy to the owner of a famous mark "against another person's commercial use in commerce of a mark or trade name...".\(^16\) As discussed in Chapter I, "use in commerce" means a use in connection with goods and services, in the ordinary course of trade.\(^17\) It is not clear, however, whether the addition of the adjective "commercial" is redundant or if it adds to the "in commerce" requirement. According to a leading author on trademarks, it does put an extra burden on the plaintiff's shoulders. According to him, ""[c]ommercial use" usually implies *a setting where some goods or services are bought, sold or advertised for sale."\(^18\) Whether this "setting" is distinct from the "use in commerce" setting remains unclear.

Denicola is of the opinion that the *FTDA* should only apply to "trademark uses" of the famous mark, i.e. where the defendant uses the famous mark to identify and distinguish his or her goods

\(^14\) *Lanham Act* § 43(c)(1), 15 U.S.C.A. § 1125(c)(1) [emphasis added].

\(^15\) For further discussion on the "famousness" requirement, see J.T. McCarthy, *4 McCarthy on Trademarks and Unfair Competition*, 4th Ed. (Deerfield, IL: Clark Boardman Callaghan, 1996-xx) at 24:91ff (analysing the *FTDA* factors individually and giving examples of marks held famous and of marks held not famous).


\(^18\) J.T. McCarthy, *supra* note 15 at 24:90, p. 24-150 [emphasis added].
or services. In an article published shortly after the enactment of the FTDA, he urges the courts to exclude the “non-trademark” uses from the reach of the Act, even if they are part of a commercial transaction, in order to avoid violations of constitutionally protected freedom of speech. According to him, the plain meaning of “dilution” excludes “non-trademark” uses of the famous mark:

Protection against the dilution of a mark's distinctiveness is self-limiting. Only unauthorized use of a mark to identify the goods or services of someone other than the trademark owner will blur the association between the symbol and the initial user. Use of the mark instead to refer back to the trademark owner or its products serves only to confirm rather than undermine the existing associational significance of the symbol. Thus, the dilution of distinctiveness rationale encompasses only unauthorized use as a trademark.

The fact that Denicola and others have found it necessary to spend time and energy arguing that the FTDA should not prohibit non-trademark uses of a famous mark is an indication that the expression “commercial use in commerce of a mark or trade name” is ambiguous. Although the FTDA clearly requires the use of the trademark by the defendant to be in connection with the sale, offering for sale, or advertising of goods or services, it is not so clear whether it has to be used as a source-identificator. However, a literal reading of the Act shows that it includes such requirement. In effect, the prohibition concerns commercial use in commerce “of a mark or trade name”. The addition of the words “trade name” shows that the word “mark” does not

20 Ibid. at 85. He applies the same reasoning to the FTDA’s definition of “dilution”, arguing that the words “the lessening of the capacity of a famous mark to identify and distinguish goods or services” cannot include uses other than trademark uses (ibid. at 90).
21 See e.g. M. Pollack, “Time to Dilute the Dilution Statute and What not to Do When Opposing Legislation” (1996) 78 J. Pat. & TM Soc'y 519 at 527 (using the example of San Francisco Arts & Athletics, Inc. v. United States Olympic Committee (1987), 483 U.S. 522, the “Gay Olympics” case, to argue that First Amendment rights are not protected by the “commercial use” restriction in the FTDA because most protest campaign require funds and that these funds are often obtained by selling promotional goods).
23 See e.g. Nabisco, Inc. v. PF Brands, Inc., 191 F. 3d 208 at 223 (2nd Cir. 1999):
Nabisco also contends that the antidilution statutes require that the junior user of a mark be a “trademark use”—that is, a use for the designation of a sponsor or identification of a product—and that its use of the fish shape is neither. Whether the antidilution statute applies only to trademark uses by the junior user, as Nabisco contends, seems a complicated question. We need not resolve it, however, because we disagree with Nabisco’s contention that its use of the goldfish cracker is a nontrademark use.

24 Lanham Act § 43(c)(1), 15 U.S.C.A. § 1125(c)(1) [emphasis added].
refer to the famous mark (the senior user’s mark), but to the junior user’s mark. Indeed, if by “mark” the legislator had meant the copied mark, it would not have used “trade name” after, because the FTDA only protects famous trademarks, not famous trade names. Therefore, the most reasonable interpretation of subparagraph 43(c)(1) of the Lanham Act is that to be infringing, the junior user has to be using the senior user’s famous trademark (or a similar designation) as a mark or trade name. This means that the defendant must be using the designation to identify and distinguish his or her own goods or services from those of others, or to identify his or her business.

c) Likelihood of Dilution

United States courts applying state anti-dilution statutes have recognized two main forms of dilution: dilution by blurring and dilution by tarnishment.

(i) Dilution by Blurring

Dilution by blurring is the most classic form of dilution, and corresponds to the type of harm contemplated by Schechter. The following is a good definition:

The risk of detraction may be a risk of an erosion of the public’s identification of this very strong mark with the plaintiff alone, thus diminishing its distinctiveness, uniqueness, effectiveness and prestigious connotations.28

The definition provided in section 45 of the Lanham Act resembles this classic definition on dilution by blurring, inspired by the words of Schechter, and is clearly meant to encompass this form of dilution. But how is blurring “measured”? Perhaps the most detailed “pre-Lanham Act” judicial analysis of the doctrine of dilution by blurring is found in Mead Data Central, Inc. v. Toyota Motor Sales, Inc.29 Judge Sweet, in a concurring opinion, set up a six-part test summarising the factors taken into consideration by the

26 See Lanham Act, ibid. (definition of “trade name”).
27 It is not necessary to provide evidence of actual dilution in order to be granted relief under the FTDA: likelihood of dilution is sufficient. Indeed, dilution is deemed to occur when there are many junior users of the same trademark. Therefore, it may be impossible to prove that the use of the trademark by a particular defendant causes dilution. See generally J.E. Moskin, “Dilution or Delusion: The Rational Limits of Trademark Protection” (1993) 83 Trademark Reprtr. 122.
29 875 F.2d 1026 (2d Cir. 1989).
same Court in the past, and designed to provide a more substantive and focused analysis of dilution. According to this test, the factors to be taken into consideration are: (1) similarity of the marks; (2) similarity of the products; (3) sophistication of consumers; (4) predatory intent, (5) renown of the senior mark; and (6) renown of the junior mark.  

Judge Sweet's six-step analysis, although designed to apply to the New York State statute, was further adopted by several courts applying the FTDA. The Sweet analysis, however, was criticized. According to the Court of Appeals for the First Circuit, these factors "are the offspring of classical likelihood of confusion analysis and are not particularly relevant or helpful in resolving the issues of dilution by blurring." According to the Court, intent, similarity of the products, sophistication of customers, and renown of the junior mark, are irrelevant.

Although it might be easy to reject factors as being irrelevant to a finding of dilution by blurring, it is not an easy task to try to define exactly what it is. The First Circuit in I.P. Lund Trading did not suggest an alternative test for evaluating if dilution by blurring is present. In Hasbro v. Clue Computing, the judge chose to analyze the remaining Sweet's factors, namely the similarity of the marks and the renown of the senior mark, but noted that they were not

30 Ibid. at 1035.
33 I.P. Lund Trading, ibid. (quoting J.T. McCarthy, ibid.).
34 Indeed, although the two marks must be similar enough for an association between the two to be made in the public's mind, it does not matter whether or not they are used to identify similar goods or services. The damage to the trademark owner is different when the goods and services are related, because confusion is likely to occur. But protection against dilution by blurring is not meant to prevent confusion: it is meant to prevent a mental association between the famous mark and the junior mark, independently from the goods or services they serve to distinguish. As of consumer sophistication, it is also irrelevant. What anti-dilution laws are meant to prevent is not the purchase of the junior user's products in place of the senior user's products, or the purchase of the junior user's products by a consumer thinking that the senior user is associated with these products. What is protected by the doctrine of dilution is the distinctiveness of the famous mark, its capacity to identify only one source of goods or services and its connection with an image that is recognized by the general public and with which the purchasing public wants to be associated. It does not matter if the consumers are sophisticated or not. Sophistication, although it can prevent a consumer from being confused, cannot prevent a consumer from being reminded of the famous mark when being in contact with the junior user's mark. Intent is also irrelevant at that stage. However, I am not sure that the renown of the junior mark is a completely irrelevant factor. Indeed, if the junior mark is only known by a small number of people, and/or for very specialised wares or services not generally consumed by the general public, it is unlikely that the senior user's uniqueness will suffer from the junior use. If, on the other hand, the junior mark has become known by a fair amount of consumers (because it was widely advertised, for instance), it is likely to become a serious treat to the uniqueness of the senior mark.
sufficient. Indeed, these factors constitute minimum requirements for the application of dilution laws. They do not help courts determine if, as a consequence of the use of a mark that is identical or very similar to a well-known trademark, the well-known trademark is likely to be diluted. If renown and similarity of the marks were the only two factors, every use of a mark similar to a famous mark would be prohibited, and thus a monopoly would be granted to the owners of famous trademarks. A plaintiff must prove more than that.

According to the Court in Hasbro v. Clue Computing, “the requirement appears to be that consumers associate the two different products with the mark even if they are not confused as to the different origins of these products”. The Fourth Circuit described the test in the following words:

[A plaintiff must show] a sufficient similarity between the junior and the senior mark to evoke an ‘instinctive mental association’ of the two by a lessening of the senior mark’s selling power, expressed as ‘its capacity to identify and distinguish goods and services’.

In other words, when they see the junior user’s mark, consumers may not believe that the junior user’s goods or services come from the senior user, that the two businesses are somehow connected, or that the senior user has approved the junior user’s goods or services. Hence, there is no trademark infringement because there is no likelihood of confusion. However, it is possible that the famous mark be diluted. It will be the case if, when seeing the junior user’s mark, the consumers are reminded of the senior user, even unconsciously.

This subtlety in the concept of dilution by blurring has led some authors and courts to be sceptical about the doctrine. Jonathan E. Moskin made the following comments:

The occurrence or not of the psychological phenomenon of dilution cannot be proven or delimited by arbitrary choice or metaphor; some empirical evidence is required. The metaphor moreover merely masks the circular reasoning in thinking

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35 Hasbro v. Clue Computing, supra note 31 at 32.
36 Ibid. at 33.
37 Ringling-Bros., supra note 31 at 458.
that the distinctive quality of a mark will be diluted by unauthorized use; all that has been proven is that a mark will be diluted if it is diluted.

Central to our jurisprudence is the notion of individual justice. Vicarious liability, partly or largely premised on a legal fiction, is imposed only under narrow constraints. However, the very essence of the dilution theory is that the plaintiff is not necessarily injured by the particular party that has been summoned to court, but that the one defendant's conduct, "if allowed to spread" (to other hypothetical defendants), will ("inevitably") weaken the plaintiff's mark. The dilution laws thus suppose that relief may be granted against a specific defendant for the effect not of his conduct alone, but of his conduct taken together with the contingent conduct of hypothetical other parties. Such a right may be without precedent in American jurisprudence.40

(ii) Dilution by Tarnishment

Tarnishment occurs where the reputation of a trademark is likely to suffer as a consequence of its use by the defendant. It occurs where the mark is used in a way that is degrading:

A trademark is tarnished when consumer capacity to associate it with the appropriate products or services has been diminished. The threat of tarnishment arises when the goodwill and reputation of a plaintiff's trademark is linked to products which are of shoddy quality or which conjure associations that clash with the associations generated by the owner's lawful use of the mark."41

Also, dilution is likely to occur where "defendant's use of plaintiff's unique mark will tarnish plaintiff's trade name by reason of public dissatisfaction with defendant's product and a resultant holding of dissatisfaction against plaintiff."42

A good example of dilution by tarnishment is found in Toys "R" Us Inc. v. Akkaoui43, in which case the defendant was using "Adults R Us" to identify a line of sexual products. The Court found that the defendant's use of the distinctive expression "R Us" was inconsistent with the image of Toys "R" Us and was likely to tarnish the plaintiff's mark.44

40 J.E. Moskin, supra note 27 at 132 and 137.
42 Tiffany & Co. v. Boston Club, Inc., supra note 28 [reference omitted] (finding that the use of the name Tiffany's for a cheap restaurant was susceptible of tarnishing the image of quality associated with the famous trade name Tiffany and that such junior use resulted in a loss of control over the quality of the products or services associated with the plaintiff's name).
44 Ibid. at 1838.
Unlike blurring, tarnishment can occur even if the junior user is not using the mark “as a trademark”. In effect, other forms of use can affect the reputation of a mark, or the positive image enjoyed by it. In Anheuser-Busch, Inc. v. Balducci Publications, for instance, the Court of Appeals for the Eight Circuit relied on the tarnishment rationale to find that the activities of the defendant were violating the Missouri’s dilution statute, even if the defendant was not using the plaintiff’s trademark to distinguish its own goods or services. The defendant was the publisher of a humor magazine. One issue of that magazine contained, on the back cover, a parody advertisement for a product called “Michelob Oily”, which advertisement reproduced some of the plaintiff’s trademarks. The parody advertisement made several references to oil pollution. It ran soon after the occurrence of a Shell oil spill in the Gasconade River, a water supply for the plaintiff, which had caused the temporary closing of its St. Louis brewery. According to the Court, the trademarks were injured by “a negative, although vague, statement about the quality of the product represented by the trademark”. The mark’s “carefully developed images” were therefore tarnished.

Also, in Deere & Co. v. MTD Products, Inc., the Court of Appeals for the Second Circuit had to consider whether the use of an “altered version” of the plaintiff’s trademark in a competitor’s advertisement was in violation of the New York’s anti-dilution statute. The television ad in question pictured the famous Deere Logo in motion, running in apparent fear of the defendant’s “cheaper but as good” lawn tractor. The deer also appeared “diminished”, as it was pictured as smaller than a dog. The plaintiff filed an action for dilution. The Court found that, although not in the traditional sense, the defendant’s use of the plaintiff’s trademark was tarnishment:

Alterations of that sort, accomplished for the sole purpose of promoting a competing product, are properly found to be within New York’s concept of dilution because they risk the possibility that consumers will come to attribute the unfavorable characteristics to a mark and ultimately associate the mark with inferior goods and services.

45 R.C. Denicola, supra note 19 at 85.
46 28 F.3d 769 (8th Cir. 1994) [hereinafter Anheuser-Busch].
47 Ibid. at 777. See contra L.L. Bean, supra note 41.
48 41 F.3d 39 (2d Cir. 1994) [hereinafter Deere].
49 Ibid. at 45.
The FTDA prohibits dilution by tarnishment\textsuperscript{50}. However, as discussed above, it only prohibits "commercial use in commerce of a mark or trade name". Hence, it should logically follow that only one form of dilution by tarnishment is prohibited by the FTDA: tarnishment caused by the use of a trademark in association with inferior or less prestigious goods or services.\textsuperscript{51} A claim of dilution by tarnishment brought under the FTDA should be analyzed in the light of the First Circuit's decision in \textit{LL. Bean}.\textsuperscript{52}

In \textit{LL. Bean}, the defendant had published, in an adult erotic magazine, an article entitled "L.L. Bean's Back-to School-Sex-Catalog". The article contained reproductions of the plaintiff's trademarks, as well as pictures of nude models in sexually explicit positions. The Court, although recognizing the negative effects on the image of the plaintiff's trademark, found that anti-dilution laws did not prohibit the defendant's activities. Indeed, the defendant was not using the plaintiff's mark to market its own goods or services, but for the purpose of "editorial or artistic parody". The Court distinguished the facts before him from cases of unauthorized use of a trademark to merchandise incompatible goods or services:

The law of trademark dilution has developed to combat an unauthorized and harmful appropriation of a trademark by another \textit{for the purpose of identifying, manufacturing, merchandising or promoting dissimilar products or services}. The harm occurs when a trademark's identity and integrity —its capacity to command respect in the market—is undermined due to its inappropriate and unauthorized use \textit{by other market actors}.\textsuperscript{53}

... Drake did not use Bean's mark to identify or promote goods or services to consumers; it never intended to market the "products" displayed in the parody.\textsuperscript{54}


\textsuperscript{51} As opposed to non-trademark uses of the famous mark such as the uses found in the \textit{Anheuser-Busch} and \textit{Deere} cases, \textit{supra} notes 46 and 48, respectively.

\textsuperscript{52} \textit{L.L. Bean}, \textit{supra} note 41.

\textsuperscript{53} \textit{Ibid.} at 31 [emphasis added].

\textsuperscript{54} \textit{Ibid.} at 32 [footnote omitted]. The Court also relied on the freedom of speech protection offered by the First Amendment to find that interpreting the Maine anti-dilution statute otherwise would offend the United States Constitution (\textit{ibid.} at 32ff).
If we accept that this is the kind of reasoning that should apply to the FTDA, then a case like *Anheuser-Busch*\textsuperscript{55}, which is very similar to the *L.L. Bean* case, should be decided in favour of the defendant.

2. Domain Names, Cybersquatting and the FTDA

There are many United States cases dealing with allegations of dilution in the context of a conflict between a famous trademark and a domain name. Some have ruled in favour of the plaintiff using the traditional definitions of dilution (by blurring\textsuperscript{56} or tarnishment\textsuperscript{57}).

In *Jews for Jesus v. Brodsky*, the Court found both dilution by blurring and dilution by tarnishment.\textsuperscript{58} In this case, the plaintiff was a well-known religious organization aimed at convincing people, and in particular Jews, that Jesus is the “Messiah of Israel and Savior of the World”. It owned the common law service mark JEWS FOR JESUS, and the federally registered trademark JEWS FOR JESUS with a star in place of the O, and held the domain name <jews-for-jesus.org>. The defendant was an individual opposed to the plaintiff’s beliefs, who registered the domain names <jewsforjesus.org> and <jews-for-jesus.com>. The Court first found that there was trademark infringement involved, because Internet users not familiar with religious organizations were likely to be confused by the defendant’s site and domain names.\textsuperscript{59}

When dealing with the dilution allegations, the Court relied heavily on the *Intermatic*\textsuperscript{60} and *Panavision*\textsuperscript{61} cases to find that the use of the domain names by the defendant caused the plaintiff

\textsuperscript{55} *Anheuser-Busch*, supra note 46.


\textsuperscript{57} A good example of the application of the tarnishment rationale to a domain name dispute is found in *Hasbro, Inc. v. Internet Entertainment Group Ltd.*, 40 U.S.P.Q. 2d 1479 (W.D.Wash. 1996), where the plaintiff’s trademark CANDY LAND was used in <candyland.com>, a domain name identifying a sexually explicit website. See also *Archdiocese of St. Louis v. Internet Entertainment Group, Inc.*, 1999 WL 66022 (E.D.Mo. 1999) (finding that the defendant’s use of <papalvisit.com> and <papalvisit1999> in association with adult entertainment websites was tarnishing the plaintiff’s mark PAPAL VISIT 1999), *Mattel, Inc. v. Internet Dimensions, Inc.*, 2000 WL 973745 (S.D.N.Y. 2000) (finding that the use of the word “Barbie” in a domain name associated with a pornographic website was tarnishing the trademark BARBIE). See also *New York State Soc. of Certified Public Accountants v. Eric Louis Associates, Inc.*, ibid.

\textsuperscript{58} *Jews for Jesus*, supra note 50 at 307.

\textsuperscript{59} Ibid. at 303.

\textsuperscript{60} *Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227 (N.D.Ill. 1996) [hereinafter *Intermatic*], discussed below.

\textsuperscript{61} *Panavision International L.P. v. Toeppen*, 945 F. Supp. 1296 (C.D.Cal. 1996), aff’d, 141 F.3d 1316 (9th Cir. 1998) [hereinafter *Panavision*], discussed below.
to lose control over its name and trademarks. It also relied on Planned Parenthood\textsuperscript{62} to find that dilution was caused by the use of the plaintiff’s domain name by the defendant to advance views contrary to those of the plaintiff.\textsuperscript{63} The defendant then contended that his conduct was “non-commercial speech” and therefore exempt from the application of the FTDA. The Court refused to accept the defence because the defendant’s site, although not used to sell, advertise or solicit funds like in Planned Parenthood, contained a link to the Outreach Judaism Organization’s web site, which offered some merchandise for sale. The Court decided that this amounted to commercial use of the plaintiff’s trademark, although the defendant’s web site contained a statement that “[t]his website ... is in no way affiliated with the Jewish organization Outreach Judaism...”\textsuperscript{64}

If every web site containing a link to a web site where merchandises are sold were considered commercial, then the “commercial use in commerce” requirement would be an empty shell. In fact, many non-for-profit organizations’ web sites contain links to commercial web sites.\textsuperscript{65} Providing a link to another web site is like providing, in a leaflet, the address of an environmentally friendly manufacturer, without selling or advertising specific products.

The Court also considered, as in Planned Parenthood, that the conduct of the defendant constituted “commercial use” because it was designed to harm the plaintiff commercially.\textsuperscript{66} This is another dangerous interpretation of the “commercial use” requirement. In effect, there are many non-commercial activities that are designed to harm trademark owners. Calls for boycott by environmentalists or organizations of unsatisfied consumers are designed to commercially harm their target. But they are not commercial in nature. In my view, this stretching, by the Court, of the meaning of “commercial use”, is driven by antipathy towards the defendant’s acts more than by a conscientious application of the law.

\textsuperscript{63} Jews for Jesus, supra note 50 at 307.
\textsuperscript{64} Ibid. at 308.
\textsuperscript{65} This was the reasoning of the Court in Bally Total Fitness Holding Corp. v. Faber in rejecting the plaintiff’s argument that the defendant’s use of its trademark was commercial because the website contained a link to a commercial website:

Including linked sites as grounds for finding commercial use or dilution would extend the statute far beyond its intended purpose of protecting trademark owners from use that have the effect of “lessening ... the capacity of a famous mark to identify and distinguish goods or services.” [reference omitted]. (Bally Total Fitness Holding Corp. v. Faber, 29 F.Supp.2d 1161 at 1168 (C.D.Cal. 1998) [hereinafter Bally]).
In other decisions, "cybersquatting" has been identified as a new form of dilution, notwithstanding the absence of the traditional requirements for the finding of dilution by blurring or tarnishment.

The mere registration of a famous mark in a domain name does not constitute dilution under the *FTDA*, because there is no use in connection with a commercial enterprise.\(^6^7\) However, it has been decided that where the domain name is registered with the intent to sell it back to its "legitimate owner", even if there is no commercial web site attached to the domain name, the defendant's activities qualify as "commercial use in commerce". In *Intermatic, Inc. v. Toeppen*, for instance, the defendant had registered the domain name <intmatic.com> for the purpose of re-selling it for profit, presumably to the plaintiff. For some time, the domain name was used in connection with a web site displaying a map of Urbana, Illinois. The plaintiff sued for trademark infringement and trademark dilution. The Court refused to find infringement because there was no sufficient evidence of likelihood of confusion.\(^6^8\) But the Court awarded summary judgement to the plaintiff as to the federal anti-dilution count. The Court acknowledged that at no time had Toeppen used <intmatic.com> in connection with the sale of any available goods or services, nor advertised the <intmatic.com> domain name in association with any goods or services.\(^6^9\) However, the Court found that the defendant's activities constituted "commercial use in commerce" of the trademark:

Toeppen's intention to arbitrage the "intmatic.com" domain name constitutes a commercial use. At oral argument Toeppen's counsel candidly conceded that one of Toeppen's intended uses for registering the Intermatic mark was to eventually sell it back to Intermatic or to some other party. Toeppen's desire to resell the domain name is sufficient to meet the "commercial use" requirement of the Lanham Act.\(^7^0\)

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\(^6^6\) *Jews for Jesus*, supra note 50 at 308.
\(^6^8\) *Intermatic*, *ibid.* at 1235ff.
\(^6^9\) *Ibid.* at 1233. At first, the defendant was using the domain name in connection with the offering for sale of a computer software, but after receiving a letter from the plaintiff, asking him to cease using the trademark INTERMATIC in association with the computer programme, the defendant agreed to stop offering the computer program for sale. Because this use of the domain name had ceased before the entering into force of the *FTDA*, the Court could not take into account the fact that the domain name had once been used in connection with the offering of goods (*ibid.* at 1239).
\(^7^0\) *Ibid.* at 1239.
On the question of dilution, the Court expressed the opinion that the trademark INTERMATIC was likely to be diluted in two ways. First, Toeppen's registration of the <intermatic.com> domain name "lessened the capacity of Intermatic to identify and distinguish its goods and services by means of the Internet."\textsuperscript{71} Second, dilution of the mark was likely to occur "because the domain name appear[ed] on the web page and [was] included on every page that [was] printed from the web page".\textsuperscript{72} The Court said:

> Attaching Intermatic's name to a myriad of possible messages, even something as innocuous as a map of Urbana, Illinois, is something that the Act does not permit. "[T]he most corrosive and irreparable harm attributable to trademark infringement is the inability of the victim to control the nature and quality of the defendant's goods." Ideal Industries, Inc. v. Gardner Bender, Inc., 612 F.2d 1018, 1026 (7th Cir.1979). The fact that "intermatic.com" will be displayed on every aspect of the web page is sufficient to show that Intermatic's mark will likely be diluted.\textsuperscript{73}

Similarly, in \textit{Panavision International v. Toeppen}\textsuperscript{74}, the same defendant had registered <panavision.com> and <panaflex.com> and established a web site displaying aerial views of Pana, Illinois. When the plaintiff notified him of its willingness to use the domain name, Toeppen asked $13,000 to discontinue his use of the domain name. Panavision brought a claim of trademark dilution under the \textit{FTDA}. The District Court of California considered that the defendant's business met the "commercial use in commerce" test\textsuperscript{75}, and that conclusion was accepted by the Court of Appeal:

> Toeppen made a commercial use of Panavision's trademarks. It does not matter that he did not attach the marks to a product. Toeppen's commercial use was his attempt to sell the trademarks themselves. Under the Federal Trademark Dilution Act and the California Anti-dilution statute, this was sufficient commercial use.\textsuperscript{76}

In \textit{Panavision}, the court could not find dilution by blurring or tarnishment. Therefore, it relied on Intermatic's new definition of dilution and found that Toeppen had diluted the

\textsuperscript{71} \textit{Ibid.} at 1240.
\textsuperscript{72} \textit{Ibid.}
\textsuperscript{73} \textit{Ibid.} at 1240-1241.
\textsuperscript{74} \textit{Panavision, supra} note 61.
\textsuperscript{75} \textit{Ibid.} at 1303.
\textsuperscript{76} 141 F.3d 1316 at 1325-1326 (9th Cir. 1998).
The Courts in *Intermatic* and *Panavision* have stretched the meanings of "commercial use in commerce". Indeed, the *Lanham Act* requires that the mark be associated with the sale or advertising of goods or services. In *Intermatic* and *Panavision*, the domain name was not used in association with the sale or offering for sale of goods or services. What was "for sale" was the domain name itself. Even if this could reasonably be considered a good or service, it would have to be advertised or sold on the web site. Toeppen's business was not even advertised. In *Intermatic*, *Panavision* and other similar cases, the courts, blinded by their dislike of defendant's behaviour, forgot the "use" part of the "commercial use" requirement, implying that the "commercial use" requirement is met as soon as an individual registers a domain name with the intent to sell it for profit. This is dramatic expansion of the anti-dilution protection traditionally granted to trademarks:

Under the court's holding, anti-dilution law is read to prevent use of words divorced from their capacity as trademarks. The court thereby granted trademarks a protection more akin to the protection granted a copyright or patent. This is a dramatic divergence from the scope of protection historically granted to trademarks under U.S. anti-dilution law.

Also, the *Intermatic* and *Panavision* decisions contain stretched definitions of "dilution", which ignore its traditional meaning. What dilution laws protect against is not any unauthorized use of a trademark. Rather, it is the unauthorized use of that trademark on goods or services coming from a different source, so that the uniqueness and/or prestige of the mark is likely to be diminished. Dilution laws are not meant to deal with the technical difficulties potential customers of the plaintiff may have to reach its store or web site.

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77 *Panavision*, supra note 61 at 1304.
79 The factual background showed that Toeppen had also registered several other domain names incorporating famous marks, in the hope to sell them to their "legitimate" owners for profit.
80 J. Golinveaux, *supra* note 17 at 663.
82 See L.L. Bean, *supra* note 41 at 29.
In *Avery Dennison Corp. v. Sumpton*[^83], the Court of Appeals for the Ninth Circuit refused to find dilution in the registration of <avery.net> and <dennison.net> for the purpose of offering them for sale. The first reason was that the AVERY and DENNISON trademarks were not famous. The second was that the “commercial use in commerce” requirement was not met. The Court distinguished the facts before it from the facts in *Panavision* and *Intermatic*. It found that the defendant was not capitalising on the “trademark status” of “Avery” and “Dennison”, but rather on the fact that they were common surnames and that people could be interested in acquiring the domain names to use them for their personal web sites.[^84] The third reason for refusing to rule in favour of the plaintiff was that there was no likelihood of dilution. According to the Court, the fact that the domain name in dispute had been registered in <.net>, as opposed to <.com> like in *Panavision* and *Intermatic*, prevented the finding of “cybersquatting dilution”:[^85]

> Cybersquatting dilution is the diminishment of “the capacity of the [plaintiff’s] marks to identify and distinguish the [plaintiff’s] goods and services on the Internet.” [...]. We recognize that this can occur if potential customers cannot find a web page at <trademark.com>. (...) In the instant case, Appellants registered the TLD <.net>, rather than <.com>, with the SLDs <avery> and <dennison>. As we recognized in *Panavision*, <.net> applies to networks and <.com> applies to commercial entities. Evidence on the record supports this distinction and courts applying the dilution cause of action to domain-name registrations have universally considered <trademark.com> registrations.[^85]

And the Court added:

> Although evidence on the record also demonstrates that the <.com> and <.net> distinction is illusory, a factfinder could infer that dilution does not occur with a <trademark.net> registration. This genuine issue of fact on the question of cybersquatting dilution should have prevented summary judgement for Avery Dennison.[^86]

Therefore, the Court in *Avery Dennison* recognized the existence of “cybersquatting dilution” as a stand-alone form of dilution. In *Hasbro v. Clue Computing* the Court accepted, with reservations, the idea of a new form of dilution:

[^83]: 189 F. 3d 868 (9th Cir. 1999) [hereinafter *Avery Dennison*].
[^84]: Ibid. at 880.
[^85]: Ibid.
[^86]: Ibid. at 881.
(...)[W]hile use of a trademark as a domain name to extort money from the markholder or to prevent the markholder from using the domain name may be per se dilution, a legitimate competing use of the domain name is not. Holders of a famous mark are not automatically entitled to use that mark as their domain name; trademark law does not support such a monopoly. If another Internet user has an *innocent and legitimate reason* for using the famous mark as a domain name and is the first to register it, that user should be able to use the domain name, provided that it has not otherwise infringed upon or diluted the trademark.87

This passage is acknowledging that where domain names are involved, the intent of the domain name holder prevails over the other factors of a rigorous analysis of the traditional requirements for a finding of dilution. While dilution is based on the harm caused to the trademark's goodwill, reputation and selling power, “cybersquatting dilution” focuses on the intent of the defendant, and this new factor overpowers the courts to the point that they often forget that there is no commercial use made of the famous mark and that there is no likelihood of dilution. In other words, on top of not infringing or diluting in the normal sense of the term, the domain name holder has to have an “innocent and legitimate reason” for holding the domain name. If there is no “innocent and legitimate reason”, then the registration of the domain name will be qualified as “dilution”, even if it does not really have the potential of causing dilution.

Decisions such as *Panavision* and *Intermatic* have been criticized. Many authors are of the opinion that the courts stretched the law in order to “catch” the cybersquatter.88 Some of them also directed their reader’s attention on the danger of expanding the scope of “commercial use in commerce” to include activities that are not really commercial.89 In sum, a lot of people, including myself, agree on the fact that most of the time, “cybersquatting” has little to do with dilution.90

87 Hasbro v. Clue Computing, *supra* note 31 at 28 [emphasis added].
90 Still, until the adoption, in 1999, of the *Anticybersquatting Consumer Protection Act* [*ACPA*] (included as part of the Intellectual Property and Communications Omnibus Reform Bill, Pub. L. No. 106-113, §§ 3002 and 3003 (1999), codified at 15 U.S.C. §§ 1125(d) and 1117(d)), most plaintiffs in trademark/domain name disputes invoked violations of anti-dilution statutes against alleged cybersquatters (C. Oppedahl, “Remedies in Domain Name Lawsuits: How is a Domain Name Like a Cow?” (1997) 15 J. Marshall J. Computer & Info. L. 437 at 447). It is predictable that the number of dilution cases involving domain names will decrease. Indeed, the *ACPA*, unlike the
C- The Canadian Version: Section 22 of the Trade-marks Act

Section 22 of the Trade-marks Act was introduced in 1954, following the recommendation of the Trade Mark Law Revision Committee. The relevant paragraph reads:

22. (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

At first sight, the language of section 22 is broad enough to embrace situations similar to the ones that the FTDA is meant to cover. However, the exact contours of the Canadian version of the "trademark violation without consumer confusion" are yet to be determined.

1. The "Use" Requirement

In Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd, the first case to deal with section 22, it was decided that "use in association with wares or services", within the meaning of section 4, was a requirement. This means that the use of the plaintiff's mark must be commercial, or "in trading", in order for section 22 to apply.

In Clairol, the defendant, a competitor of the plaintiff, had included colour comparison charts in its advertising brochures, as well as on its packages of hair colour. These charts compared the defendant's colours with those of the plaintiff Clairol, and so the trademarks MISS CLAIROL FTDA, was specially directed at stopping cybersquatters. For a complete description and analysis of the ACPA, see J.T. McCarthy, supra note 15 at 25:78-25:80.

92 See W.J. Derenberg, "The Problem of Trademark Dilution and the Anti-Dilution Statutes" (1956) 44 Calif. L. Rev. 439 at 481. Also see 1953 Report, ibid. at 26-27.
93 (1968), 55 C.P.R. 176 (Ex. Ct.) [hereinafter Clairol].
94 Ibid., at 196. See discussion on this interpretation of "use" in Chapter I, section A-2a, above.
95 Clairol, ibid. at 195. See also Sprint Communications Co. L.P. v. Merlin International Communications Inc. (2000) 9 C.P.R. (4th) 307 at paras. 149-158 [hereinafter Sprint Canada]. In Cie Générale des Établissements Michelin v. C.A.W.-Canada (1996), 71 C.P.R. (3d) 348 (F.C.T.D.) [hereinafter Michelin], the plaintiff (Michelin), whose trademark and design had been reproduced in union's leaflets and information bulletins, challenged Justice Thurlow's interpretation of the word "use" when applied to section 22 of the Trade-marks Act. According to the plaintiff, in order to make sense, section 22 should apply to situations where the defendant's activities do not meet the strict requirements of section 4, but still make a use of the trademark in a manner likely to depreciate the goodwill of that trademark. The Court rejected the argument, saying that where section 19, 20 and 22 differ is not in the concept of "use", which is the first requirement for their application, but in the secondary element for each ground (i.e. confusion for sections 19 and 20 and depreciation of goodwill for section 22), once "use", within the
and COLOR BATH, owned by Clairol, appeared on both the brochures and the packages. A potential consumer could therefore choose a colour that was close to her favourite Clairol shade. After deciding that the plaintiff had failed to demonstrate that the defendant had infringed its trademarks within the meaning of section 19 of the *Trade-marks Act*, Justice Thurlow turned to the question of the violation of section 22. The test he used may be summarized as follows: (1) Was there a “use” of the plaintiff’s trademark within the meaning of section 4?; and (2) Did the defendant use the plaintiff’s trademark in a manner likely to depreciate the value of the goodwill attaching to it? As to the first question, Justice Thurlow considered that the use of the plaintiff’s mark on the packages met the definition of “use”, but that the use on the brochure did not. In effect, paragraph 4(1) of the *Trade-marks Act* requires that “at the time of the transfer of the property in or possession of the wares, in the normal course of trade”, the trademark be “marked on the wares themselves or on the package in which they are distributed ...”. A narrow reading of this provision excludes the reproduction of the trademark on advertising brochures.

According to the Clairol decision and some decisions following it, the defendant does not have to use the mark for the purpose of distinguishing its own wares or services for a violation of section 22 to be found. Hence, section 22 can be applied to comparative advertising.

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meaning of section 4, has been established. The Court therefore affirmed that Clairol was still the authority in the matter.

96 Clairol, *ibid.* at 194. The defendant, although it had used the plaintiff’s trademark “in association with” its goods, had not used it “for the purpose of distinguishing the goods as goods of the defendant”. See discussion on “use” in Chapter I, section A-2(a), above.

97 Clairol, *ibid.* at 196. In *Syntex Inc. v. Apotex Inc.* (1984), 1 C.P.R. (3d) 145 at 151, the Federal Court of Appeal approved that interpretation of paragraph 4(1) and rejected the Trial Division’s interpretation that flyers were to be included in the definition of “use”.

98 Clairol’s reading of the Act results in a possibly wider protection for “service-marks” than for “ware-marks”. In effect, paragraph 4(2) mentions advertising as a form of “use”, while paragraph 4(1) does not. A literal reading of section 4 would result in a situation where a trademark associated with services can be infringed if the junior user advertises it in association with services, but not if the mark is used in association with wares. Reed J., of the Federal Court, is also sceptical about such a restrictive reading of the *Trade-marks Act*. See *Eye Masters Ltd. v. Ross King Holdings Ltd.* (1992), 44 C.P.R. (3d) 459 at 463 (F.C.T.D.).

99 E.g. *Michelin*, supra note 95 at 362.

100 Daniel R. Bereskin is of the opinion that this interpretation is wrong and that there must be a use for the purpose of distinguishing in order for section 22 to apply. In his opinion, there is no reason why the definition of “trademark” in section 2, which requires use for the purpose of distinguishing, should apply to section 19 and not to section 4 (which applies to section 22), because both contain the word “trademark”. In his opinion, section 22 may have applications in cases of parody or dilution, but not in cases of comparative advertising. For further explanations of this position, see D.R. Bereskin, “Trade-mark Use”, in G.F. Henderson, *Trade-marks Law of Canada* (Toronto: Carswell, 1993) 97 at 110-111. See also E.W. Gross & S. Mulholland, “Comparative Advertising: Trial by Injunction and the Death of Brand X” (1995) 12 C.I.P.R. 29 (arguing that using section 22 to stop comparative advertising discourages the communication of commercial ideas, which violates section 2(b) of the Charter). Note: Bereskin’s opinion makes sense but because most, if not all, subsequent decisions have followed the path traced by Justice Thurlow, the latter’s interpretation of section 22 is used in this thesis.
2. The “Depreciation” Requirement

According to Roger T. Hughes, to depreciate the value of the goodwill attached to a trademark means:

(...) to reduce the advantage of the reputation, to take away the whole or some portion of the custom otherwise to be expected and thus render it less advantageous. It can be the use of a confusing mark which results in an erosion and dilution of the prestige, strength and integrity of the mark. The depreciation of the value of the goodwill does not require competition leading to an immediate loss of sales.\(^{101}\)

Canadian courts have not very often interpreted the expression “depreciating the value of the goodwill attaching thereto”. Most cases being at the interlocutory injunction level, judges could get away with acknowledging the existence of a “serious question to be tried”. Where the significance of “depreciation of goodwill” has been analyzed, however, courts have come with a broad range of interpretations.

In Clairol, once Justice Thurlow found that the defendant’s use of the plaintiff’s trademark was embraced by section 22 of the Trade-marks Act, he turned to the second question, whether the defendant had used the plaintiff’s trademark in a manner likely to depreciate the value of the goodwill attaching to it. The analysis was two-fold. Justice Thurlow first attempted to define “the goodwill attaching to a trade-mark”. He gave the following definition:

(...) that portion of the goodwill of the business of its owner which consists of the whole advantage, whatever it may be, of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trade mark.\(^{102}\)

Then, he defined the expression “depreciation of the value of the goodwill” as the “reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of consumers who could otherwise be expected to buy or continue to buy goods bearing the trade mark”. The judge concluded that the elements required for the application of section 22 were present. The mark MISS CLAIROL could be said to be a well-known mark, and the mark

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\(^{101}\) R.T. Hughes and al., Hughes on Trade Marks (Scarborough: Butterworths, 1984) at para. 44, cited in Sprint Canada, supra note 95 at 327.
HAIR COLOUR BATH had been used for several years. Therefore, both marks had a sufficient amount of goodwill attached to them. The judge also found that the plaintiff’s trademarks had been used “in a manner likely to depreciate the value of the goodwill attaching thereto”. According to him, the purpose of the printing of comparison charts was to facilitate consumers familiar with the plaintiff’s products to switch to the defendant’s products by suggesting that they could get similar results by doing so. By printing these charts on the packages of its product, the defendant was hoping to get a part of the market enjoyed by the plaintiff, and the judge was of the opinion that there was no reason to doubt that the enterprise was successful. He specified that the defendant’s wrong consisted not in trying to get customers to buy its wares in preference to those of the plaintiff, which is the essence of competition, but in using the plaintiff’s trademark on its wares to achieve that goal.103

In Interlego AG et al. v. Irwin Toys Ltd. et al.104, the defendants had reproduced the plaintiff’s trademarks LEGO and DUPLO on their blocks’ packages, as well as in a Consumers Distributing catalogue, stating that their blocks “look like, feel like and even connect to Lego blocks”, and that Pre-School Super Blocks “are interchangeable with Lego's Duplo blocks”, etc. Justice Strayer, of the Federal Court, found that section 22 had been violated, relying on Justice Thurlow's definition of depreciating a competitor's goodwill.105 He did not, however, discuss the application of that definition to the facts before him, his reasons being that the application of section 22 was not seriously contested, and that the infringement was “flagrant”.106

Whether relief can be granted on the basis of a violation of section 22 in cases where there is no competition between the plaintiff and the respondent is a question that has not yet been clarified.

102 Ciairof, supra note 93 at 199.
103 Ibid. at 201-202:
   [A competitor] may of course put information on his wares for the purpose of telling customers about his own wares in order to get the customers to buy them in preference to those of the owner of a particular trade mark. In general how he may do that is left to his own ingenuity and, provided the means adopted are honest means, no one can challenge him. But he may not put his competitor's trade mark on his goods for that purpose or for the purpose of carrying a message to customers who are familiar with the goods identified by the trade mark in order to facilitate their purchase of his own goods and thus to reduce the chance that new customers hearing of the goods identified by the mark would buy them in preference to his or that old customers familiar with the goods identified by the trade mark would have continued buying the goods of the owner of the mark.
105 Ibid. at 487.
106 Ibid. at 489.
In Nintendo of America Inc. v. Camerica Corp., the Federal Court had to deal with allegations of depreciation of goodwill where the parties are not in direct competition. The defendants were selling a hardware tool that could be used to change certain characteristics of the plaintiff's video games, such as the number of lives, the number of obstacles, etc. On the defendant's packages was the statement that the product “works on most popular games for the NINTENDO ENTERTAINMENT SYSTEM”. Further, there was a disclaimer informing the public that the product was not manufactured, distributed or endorsed by Nintendo of America. The said disclaimer was found by the Court to be sufficient to eliminate risks of confusion within the meaning of section 20 of the Trade-marks Act. As to the application of section 22, Justice Rouleau found that the plaintiff could not rely on the Clairol case, where the two products were in competition:

Here, the product of the plaintiffs, home video games, are in no way similar to the defendants' Game Genie, a hardware tool designed to be used with home video games. The two products cannot in any way be viewed as being competitive with each other. The appearance of the plaintiff's trade marks on the packaging of Game Genie and the Codebook cannot be construed as a measure taken by the defendants to encourage consumers to buy their product in preference to Nintendo's. The Game Genie is not a device which is of any use by itself; it requires a video game in order to achieve its purpose.

The judge did not go any further in his interpretation of section 22 and decided not to grant the injunction on the grounds that the balance of convenience favoured the defendants. Therefore, it is not clear whether or not the judge has wanted to imply that section 22 is only available in cases of direct competition between the plaintiff and the defendant. In Rôtisseries St-Hubert v. Le Syndicat Des Travailleurs(euses) de la Rôtisserie St-Hubert de Drumondville (C.S.N.), Justice Lesyk, of the Québec Superior Court, gave the opinion that it was not necessary, to violate section 22, to be in a situation of commercial competition. Justice Lesyk's understanding of section 22 is as follows:

Free English translation: (...) Therefore, if a person uses a trademark already registered by another in association with wares or services or even with a business of a totally different category, the infringer does not deprive the owner of the registered

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108 Ibid. at 206-207.
109 (1986), 17 C.P.R. (3d) 461 (Qué. S.C) [hereinafter St-Hubert].
110 Ibid. at 468.
trademark of the sales of its wares or services because they are not in commercial competition with those of the infringer. In such circumstances, the public desiring to purchase the wares or services of the owner of the registered trademark will not be fooled in purchasing those of the person that illegally uses the registered trademark.

However, as time goes on and the uses are repeated, the registered trademark loses some value, as well as its distinctive character.\textsuperscript{111} Here, the judge was giving his opinion not in the context of comparative advertising, but in the context of the use of an employer's trademark by the employees' union in the context of a strike.\textsuperscript{112}

The applicability of section 22 to situations where there is no comparative advertising was discussed in a few cases. In \textit{Source Perrier (S.A.) v. Fira-Less Marketing Co. Ltd.}\textsuperscript{113}, the defendant had started to sell tap water under the name PIERRE EH!, using bottles similar to those of the plaintiff Perrier. The aim of the exercise was political satire.\textsuperscript{114} The Federal Court found that the defendant's activities were depreciating the value of the goodwill attached to the trademark PERRIER. According to the Court, deception was likely to be created in the minds of the consumers, and that deception was susceptible of diluting the quality of a trademark.\textsuperscript{115} Even if potential consumers would certainly discover the spoof, they might not find it amusing and think that the plaintiff is associated with, or approves, the political satire. The Court's description of consumers' potential reaction to the spoof corresponds more to confusion, in the passing off or trademark infringement sense, than to dilution or depreciation of goodwill. However, only dilution by blurring, as understood in the United States, is unable to coexist with confusion in the same person's mind.\textsuperscript{116} Depreciation of goodwill, as well as dilution by tarnishment, can occur at the same time as a form of confusion. If there is likelihood that a consumer will believe that Perrier has approved the spoof, there is a likelihood of confusion.

\textsuperscript{111} \textit{Ibid.} Justice Lesyk's understanding of the meaning of "depreciation of goodwill" resembles a lot to the definition of "dilution by blurring" developed by the courts in the United States. See discussion in section B-1.c)(i), above.

\textsuperscript{112} The Court concluded that section 22 could not apply to the situation, because the defendant was not using the plaintiff's trademark "in association with wares and services" (\textit{ibid.}).

\textsuperscript{113} (1993), 70 C.P.R. (2d) 61 [hereinafter \textit{Perrier}].

\textsuperscript{114} The Prime Minister of Canada was then Pierre-Elliott Trudeau.

\textsuperscript{115} \textit{Perrier}, \textit{supra} note 113 at 65:

The fact that the defendant intends to produce a spoof does not take away from the deception created in the mind of the customers. The defendant is clearly attempting to cash in on the well-established reputation of Perrier, and the deception, in my view, tends to dilute the quality of its trade marks, to impair its business integrity established over the years, and to cause injury to its goodwill.

\textsuperscript{116} See J.T. McCarthy, \textit{supra} note 15 at 24:70ff.
cognizable under the tort of passing off. But there is also a likelihood that the same consumer, not liking the satire, will have a negative opinion of the trademark PERRIER after having seen the defendant’s product. If many consumers have the same reaction, the value of the goodwill attached to the mark will be depreciated. In my view, the problem with the Perrier decision is not the finding that the value of the goodwill is likely to be depreciated. The problem is the possible implications of the decision on freedom of expression.117

The Perrier case is one example of the application of section 22 where the infringing mark is not identical to the plaintiff’s registered trademark. In St-Hubert, Justice Lesyk had used, among others, the argument that the defendants had not used the plaintiff’s trademark as registered, but had rather used a mark similar to the plaintiff’s, to refuse to find a violation of section 22.118 The Federal Court rejected this interpretation in Michelin.119

In Michelin, the defendant, a workers’ union, had reproduced (and altered) the plaintiff’s trademark in a leaflet and in information bulletins aimed at recruiting members among the Michelin’s workers. Justice Teitelbaum found that the activities of the defendant did not constitute violations of section 22 because they did not meet the “use” requirement.120 That finding could have resolved the case. But the judge added that even if there had been “use” within the meaning of the Trade-marks Act, the plaintiff would still have failed to establish the second element of its case, the likelihood of depreciation of the goodwill associated with the mark. In fact, the plaintiff could not prove that the defendant’s activities were likely to “have a negative effect or depreciate the drawing power of the Plaintiff’s marks in the marketplace.”121 In other words, because the literature was addressed to a limited number of people, who were also employed by the company, the reputation of the company as an employer was likely to be tarnished, but not its reputation as a manufacturer.

117 Responding to the plaintiff’s argument that trademark protection should be balanced with constitutionally protected freedom of expression, the Court concluded that:
(... the most liberal interpretation of 'freedom of expression' does not embrace the freedom to depreciate the goodwill of registered trade marks, nor does it afford a licence to impair the business integrity of the owner of the marks merely to accommodate the creation of a spoof (Perrier, supra note 113 at 67).

Author’s comment: Considering the fact that section 2b) of the Charter of Rights and Freedoms is currently interpreted as including every possible form of expression, it can be said that the Court in Perrier has evacuated the defence a little too quickly.
118 St-Hubert, supra note 109 at 469.
119 Michelin, supra note 96 at 363.
120 Ibid. at 368.
What stands out from the decisions examined is that (1) the definition of "use" in section 4 applies to section 22; (2) the alleged infringement has to take place in a context of commercial activity by the defendant; (3) the defendant does not have to use the trademark for the purpose of distinguishing wares and services; (4) it is not clear whether the defendant has to be in direct competition with the plaintiff; (5) the defendant does not have to make a use of the plaintiff's trademark "as registered" to violate section 22.

3. Domain Names, Cybersquatting and Section 22

There are very few Canadian cases dealing with depreciation of goodwill by the use of a domain name. In *British Columbia Automobile Association v. Office and Professional Employees' International Union, Local 378*, Justice Sigurdson had to determine if the use of the BCAA trademark in the Union's domain name and meta tags, as well as on the Union's sites themselves, was violating section 22 of the *Trade-marks Act*. First, the judge dealt with the "use" requirement. He concluded that the activities of the Union (providing information to the public) did not amount to a "service" as meant by section 4, because it was not commercial. This finding would have been enough to dispose of the case, but the judge went further and added that the use of the mark by the Union was not depreciating the value of the goodwill associated with the mark:

If a trade-mark appears on a picket sign or on a website, does it depreciate the goodwill associated with that trade-mark as the term is used in this section? I do not think so. Any depreciation of goodwill was not brought about by the manner of the use of the trade-mark. Rather it might be said to occur if the Union is successful in its arguments in support of its members. The Union is entitled to express its position and speak freely provided it does not violate s. 22 of the *Trade-marks Act*. I think that to accept the plaintiff's argument, that the reference to the employer's trade-mark to identify a Union site depreciates goodwill associated with that trade-mark, would be a result that goes far beyond what Parliament intended by s. 22.

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121 *Ibid.* at 371 [emphasis in original].
122 *E.g.* Clairol, supra note 93, *Michelin, ibid.*
123 *E.g.* *Michelin, ibid.*, *St-Hubert, supra* note 109.
124 Compare *Nintendo, supra* note 107 and *St-Hubert, ibid.*
125 *E.g.* *Michelin, supra* note 95, *Perrier, supra* note 113.
In Bell ExpressVu Limited Partnership v. Tedmonds & Co. Inc.\textsuperscript{129}, the defendants had registered the domain name \texttt{<expressvu.org>}, which they used for a website dedicated to the issue raised in an action previously filed against them by the plaintiff. The Court found that there was no genuine issue for trial in the question of whether the actions of the defendants in using the domain name and matching website were infringing section 22. Indeed, there had not been any commercial use of the plaintiff's mark.\textsuperscript{130} Further, the judge took into consideration the fact that the defendant had registered a \texttt{<.org>} rather than a \texttt{<.com>} domain name, and that the plaintiff was already using the domain name \texttt{<expressvu.com>}. According to him, the argument made in \textit{Panavision}\textsuperscript{131} that the trademark is being depreciated or diluted as a result of potential customers not being able to find the plaintiff's official website by typing in \texttt{<expressvu.com> could not apply to the facts before him.}\textsuperscript{132} Rather, and quite interestingly, he drew a parallel between the case before him and a UDRP decision with similar facts, in which the difference between registering a \texttt{<.com>} and registering a \texttt{<.net>} was acknowledged.\textsuperscript{133}

Section 22 has not yet been applied to “real” cybersquatting situations (where the defendant registered the domain name for the sole purpose of reselling it to the plaintiff, for instance). However, given the interpretation of “use” made by Justice Thurlow in \textit{Clairol}\textsuperscript{134}, it is doubtful that a person like Toeppen, who registers domain names only for the purpose of re-selling them to trademark owners, and does not use them in association with wares or services in the course of trade\textsuperscript{135}, would be caught under section 22. In effect, if the use of a trademark in an advertising brochure does not qualify, it would be quite difficult to successfully argue that passive holding of a domain name does. In this perspective, section 22 would only be useful to trademark owners when the domain name is used in association with wares that are sold through the Internet.\textsuperscript{136} Also, it is doubtful that the notion of “service” would be interpreted liberally enough as to include the offering for sale of the domain name itself, i.e. pure cases of “cybersquatting”.

\textsuperscript{129} [2001] O.J. No. 1558, April 25, 2001 (Ont. S.C.) [hereinafter \textit{Bell ExpressVu}].
\textsuperscript{130} \textit{Ibid.} at paras. 42-43. The facts of the case are discussed in more details in Chapter I, section A-2.c), above.
\textsuperscript{131} \textit{Panavision, supra} note 61.
\textsuperscript{132} \textit{Bell ExpressVu, supra} note 129 at para. 44.
\textsuperscript{134} That section 4 of the Trade-marks Act, which requires that the mark be visible on the wares or their package at the moment of the transfer of property, or that the mark be displayed in the performance or advertising of the services, applies to section 22.
\textsuperscript{135} See discussion on the \textit{Intermatic} and \textit{Panavision} cases in section B-2. of this chapter, above.
Conclusion
When dilution or depreciation of goodwill is alleged, a plaintiff has to show that his or her trademark was used in connection with wares or services, in the course of trade. The defendant’s intent is not a determinant factor in finding if the defendant has used the plaintiff’s trademark or not. It is true that some United States courts have set dangerous precedents by stretching the definition of “commercial use in commerce” as to include the “cybersquatting business”. It is also true that the same courts have created a new definition of dilution to give satisfaction to trademark owners against alleged “cybersquatters”. Some may argue that cases like Panavision and Intermatic are good because their result seems fair. However, the “fairness” of the result does not change the fact that Toeppen’s activities have little to do with dilution or depreciation of goodwill.

In Chapter I, it was observed that most cases of “cybersquatting” are not covered by the protection granted to trademarks against infringement and passing off. In this chapter, the fact that “cybersquatters” are not necessarily diluting the distinctiveness of the trademarks incorporated in their domain names was acknowledged. Now what exactly is the relationship between trademark law and the UDRP, the new “tool” at the disposition of trademark owners?

136 Indeed, “use” in s. 4 of the Trade-marks Act does not include the advertising of wares.
III- TRADEMARK LAW AND THE UDRP

In May 2000, the Uniform Domain Name Dispute Resolution Policy\(^1\) was used to transfer the domain name <traditions.com> to Traditions Ltd, the owner of the mark "Tradition" for furniture. The fact that the respondent did not make an active use of the domain name, and was not in the business of selling furniture, did not prevent the UDRP panel from reaching its decision.\(^2\)

In June, the domain name <rollerblade.net>, which was used for a non-commercial website posting personal "rollerblading" pictures, was transferred to Rollerblade, Inc. by a panel applying the UDRP. Rollerblade, Inc. already had a presence on the Web at <rollerblade.com>.\(^3\)

In July, the well-known corporation Wal-Mart Stores, Inc. was successful in having the domain names <walmartcanadasucks.com>, <wal-martcanadasucks.com>, <walmartucks.com>, <walmartpuertorico.com> and <walmartpuertoricosucks.com> transferred to it, using the UDRP. The factual background in Wal-Mart 2 shows that for three of these five domain names, the respondent had not established websites. The other two had been used for websites inviting dissatisfied Wal-Mart consumers to "Spill your Guts" with a "horror story relating to your dealings with Wal-Mart Canada [or UK respectively]."\(^4\)

In none of these cases was there any commercial use made of the domain name, nor was there any likelihood of confusion between the domain name holder and the trademark owner's activities. What happened in these cases? Are these results consequent with the proposition that the UDRP is an expression of multilaterally agreed standards of intellectual property protection? In this chapter, I examine the ICANN Policy, as well as decisions that have been rendered in application of it, in light of the principles of trademark law analyzed in Chapters I and II. The aim is to show that the UDRP offers a different kind of protection than traditional trademark law

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1 Uniform Domain Name Dispute Resolution Policy. <http://www.icann.org/udrp/udrp-policy-24oct99.htm> [hereinafter "UDRP" or "ICANN Policy"]. Note: All Internet addresses are current as of September 6, 2001.
2 Traditions, Ltd. v. noname.com, NAF, Case No. 0004000094388.
3 Rollerblade, Inc. v. Chris McCrady, WIPO, Case No. D2000-0429 [hereinafter Rollerblade].
A- The UDRP and the “Use” Requirement

In this section, I will examine the UDRP in the light of the “use” requirement for both traditional trademark law and dilution.

1. Use

Under the ICANN Policy, the complainant must prove that the respondent’s domain name “has been registered and is being used in bad faith”.

The presence of the conjunction “and”, as well as the use of past (“registered”) and present (“is being used”) verb tenses seem to indicate that “use” is a requirement for the UDRP to be available to a third party seeking to have a domain name cancelled or transferred.

Paragraph 4(b), however, seems to weaken that requirement. It reads:

b. Evidence of Registration and Use in Bad Faith. For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out of pocket costs directly related to the domain name; or

(ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

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5 ICANN Policy, subpara. 4(a)(iii) [emphasis added].
6 The legislative history of the Policy indicates that this was also the initial intention of its drafters. See ICANN, Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy, para. 4.5, <http://www.icann.org/udrp/udrp-second-staff-report-24oct99.htm> [hereinafter ICANN Second Staff Report].
(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product of service on your web site or location.\(^7\)

Three of those four circumstances do not require any use of the domain name, only registration.\(^8\)

In these circumstances, even if there is no information on the website or other on-line location, the domain name is still considered “used in bad faith”. This is somewhat bizarre, as if the bad faith of the registration suddenly eliminated the requirement to prove use. This seems to be a contradiction in the ICANN Policy. Indeed, if the registration of a domain name automatically becomes synonymous with use if the registration was made in bad faith, then what is the purpose of the distinction, between registration and use, made in subparagraph 4(a)(iii) of the Policy?\(^9\) The question is not purely theoretical, since a fair percentage of the decisions rendered in favour of complainants were dealing with “passive holding” of the domain name in dispute.\(^10\)

According to the panelist in Telstra:

\[(...) \text{[T]}he \text{ relevant issue is not whether the Respondent is undertaking a positive action in bad faith in relation to the domain name, but instead whether, in all circumstances of the case, it can be said that the Respondent is acting in bad faith.}\]

\(^7\) ICANN Policy, para. 4(b) [emphasis added].

\(^8\) Ibid., subpars. (i), (ii) and (iii). A discussion on this matter can be found in Telstra Corporation Limited v. Nuclear Marshmallows, WIPO, Case No. D2000-0003 at paras. 5.3 and 7.10 [hereinafter Telstra].

\(^9\) The dissenting panelist in Time Inc. v. Chip Cooper, WIPO, Case No. D2000-1342 [hereinafter Time Inc.], refused to subscribe to an interpretation of section 4(b) that would eliminate the requirement that the complainant show independent use:

I read 4(b) as if it said, “Here are some examples of bad faith acts. Some are examples of bad faith registration and some are examples of bad faith use, but Section (a) still requires that you prove both.” [emphasis in original]

That opinion is not widespread, but it will be interesting to see if other panels will be influenced by it.

The distinction between undertaking a positive action in bad faith and acting in bad faith may seem a rather fine distinction, but it is an important one. The significance of the distinction is that the concept of a domain name “being used in bad faith” is not limited to positive action; inaction is within the concept. That is to say, it is possible, in certain circumstances, for inactivity by the Respondent to amount to the domain name being used in bad faith.\(^1\)

I understand the distinction between undertaking a positive action in bad faith and acting in bad faith. But the ICANN Policy does not say that the complainant must prove that the domain name “has been registered in bad faith and the domain name holder is now acting in bad faith”. The Policy says that it must be shown that the domain name “has been registered and is being used in bad faith”. Although the verb “acting” is general enough to include the concept of inaction, it is doubtful that the verb “use” is similarly broad enough to embrace the concept of non-use.

In *Telstra*, the panel was facing a dilemma. Indeed, the respondent was probably a typical “cybersquatter”, someone who registers a domain name for the sole purpose of re-selling it to the owner of the trademark incorporated in the domain name. On the other hand, the only action taken by the respondent had been to register a domain name. There was no real use of it, as apparently required by the ICANN Policy. Therefore, the panel had to decide whether to make a literal reading of the ICANN Policy, and find that the complainant had failed to prove that the respondent had used the domain name, or to make a reading of the Policy that was consistent with its purpose, which is to catch people like the respondent. If we consider that the ICANN Policy is good, then *Telstra* is a good decision and the word “use” in the Policy should not be interpreted as requiring that the domain name be used in association with an active website. This is the opinion of many panels that later followed *Telstra*'s interpretation of the ICANN Policy.\(^2\)

\(^{1}\) *Telstra*, ibid. at para. 7.9. [emphasis added]. See *contra:* dissenting opinion in *Time Inc.*, supra note 9:

(...) I do not believe that the Respondent need prove any right or legitimate interest if the Complainant cannot sustain the burden of establishing bad faith. I am convinced that the UDRP does not intend to make mere registration actionable and therefore does not intend the affirmative defences to come into play where no independent use has occurred.

However, *Telstra* also set a dangerous precedent. Because the circumstances enumerated in paragraph 4(b) of the Policy, and reproduced above, are not exclusive, it is open to a panel to consider that the “passive holding” of a domain name constitutes “use in bad faith” even if none of the four “aggravating circumstances” is proven. In *Telstra*, bad faith was not found because the respondent’s behaviour corresponded to the examples of bad faith provided in the ICANN Policy. It was inferred that the domain name was “used in bad faith” because the complainant was widely known, the respondent had not shown evidence of any actual or contemplated good faith use of the domain name, and had failed to provide the registrar with accurate information on his identity. Considering these circumstances, the panel concluded that it was “not possible to conceive of any plausible actual or contemplated active use of the domain name by the respondent that would not be illegitimate, such as by being a passing off, an infringement of consumer protection legislation, or an infringement of the complainant’s rights under trademark law”.13 In *Telstra*, this was probably a reasonable conclusion to draw from the facts. But some panels went further and interpreted *Telstra* as meaning that passive holding of a domain name is *prima facie* evidence of bad faith use14, or that the registration and passive holding of a domain name featuring a well-known or famous trademark is evidence of bad faith.15 In other words, if a respondent does not show the existence of a legitimate interest in the registration of the domain name, there is a presumption that the domain name is “used in bad faith”, even if no website is set up. This puts an overly heavy burden on the shoulders of the respondent, who now has to show that his or her “non-use” of the domain name does not constitute “use in bad faith”. This kind of burden seems contrary to the wording of subparagraph 4(a)(iii) of the ICANN Policy.16

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13 *Telstra*, supra note 8 at para. 7.12(v). The same reasoning can be found in many other cases. See e.g. *CBS Broadcasting, Inc. v. LA-Twilight-Zone*, supra note 10, *IKEA*, supra note 10. Contra: dissenting opinion in *J. Crew*, supra note 10:

(...) [I]t is not against the trademark laws of the world to register a domain with an intention that is not fully developed at the time of the registration.


One example of such reversal of the burden is found in *Time Inc. v. Chip Cooper.* In this case, the majority's conclusion that bad faith use was present was drawn from the respondent's non-use of the domain name for a few months after the registration. The respondent offered an explanation as to how he planned to use the domain names to help collectors of old issues of *Time Magazine* to find them and trade with each other. The majority rejected the explanation. The reasoning was that if respondent really had such intention, it would not have waited more than a year to set up a website. This conclusion was reached despite the fact that the respondent had refused to sell the site to *Life Magazine* and was therefore not a "cybersquatter" in the narrow sense of the term, that the respondent was not collecting old magazines as a full time occupation, a fact that could explain the delay, and that the respondent was not planning on making commercial use of the domain name, another fact that could explain the absence of "rush" to set up a website.

Some other disputes were decided in favour of the complainant on the basis of bad faith registration and use, even if the use of the domain name was not necessarily illegitimate at the time of the filing of the complaint. In *Ingersoll-Rand Co. v. Frank Gully,* the panel wrote that "[i]f at any time following the registration the name is used in bad faith, the fact of bad faith use is established." This seems to contradict the Policy, which states that the domain name can be cancelled or transferred if it "is being used in bad faith".

The analysis of these few decisions shows that the results of the UDRP differ substantially from what seems to be meant in subparagraph 4(a)(iii). Whether or not we agree with the
interpretation that has been made of 4(a)(iii), it clearly differs from the meaning of “use” in trademark law.

2. Commercial Use

In a UDRP dispute, the fact that the respondent is not operating an active website is not an obstacle to a ruling in favour of the complainant. As to the trademark law requirement that the use be “commercial”, or “in association with wares and services”, it is not a deciding factor under the UDRP. As the panel in Disney Enterprises, Inc. v. John Zuccarini, Cupcake City and Cupcake Patrol stated:

[T]he Respondents say these [domain names] are not in use. They submit that, for this reason, no finding of bad faith can be made, citing OBH, Inc., v. Spotlight Magazine, INC, 86 F.Supp.2d 176, 185, 186 (D.WDNY 2000), which involved the expression “use in commerce”, defined in the Lanham Act as, inter alia, use of a trademark “on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce...”. No such requirement in relation to the concept of “use” is contained in the Policy.21

Under the ICANN Policy, “non-commercial” does not equal “legitimate”. Legitimacy is an additional requirement:

4. Mandatory Administrative Proceeding

... (c) [...] Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

... (iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

Therefore, it is not sufficient that the domain name be used for non-commercial purposes: this non-commercial purpose must also be legitimate, and not aimed at tarnishing22 the mark. While

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22 The concept of “tarnishing” is imported from the dilution vocabulary. In the United States, the application of the doctrine of dilution to non-commercial uses has been strongly criticized. For more on dilution, see Chapter II, above. The ICANN Second Staff Report (supra note 6) states that in the ICANN Policy, the expression “tarnishment” “is limited to acts done with intent to commercially gain” (para. 2 of the end notes). This explanation is not completely comforting because a lot of non-commercial entities are relying on donations to survive.
the commercial nature of the “use” is a key element in an action for infringement, passing off or dilution, no matter how legitimate the non-commercial use is, the key element under the UDRP becomes the legitimacy more than the commercial nature of the use.23

3. Use “As a Trademark”

Even where the domain name in dispute is used for commercial purposes, it does not necessarily meet the test for trademark infringement. Indeed, the law requires that the mark be used for the purpose of identifying and distinguishing goods or services.24 The fact that a domain name happens to contain one's trademark does not mean that the said trademark is used for the purpose of distinguishing the domain name holder's goods and services, unless the domain name is itself a trademark. A domain name is a trademark only if it otherwise qualifies as such, just like any other word or group of words.25 The ICANN Policy, however, does not make such distinction. A respondent does not have to use the domain name for the purpose of distinguishing his or her wares or services in order for a trademark owner to succeed in having the said domain name transferred to it.26

In sum, the UDRP, on the “use” requirement, is different from trademark law in three ways: (1) “Passive holding” of a domain name qualifies as “use” when the registration was made “in bad faith” and that no legitimate intent to use the domain name was shown by the respondent27; (2) Non-commercial use of a domain name is “use”, when this non-commercial use is not legitimate; and (3) Commercial use of a domain name is “use” even if the complainant's mark is not used “in association with” and for the purpose of distinguishing respondent’s goods or services.

B- The UDRP and the “Confusion” Requirement

Under trademark law, in order to be granted relief, the plaintiff must show that there is a similarity (or identity) between its trademark and the defendant’s trademark or trade name.

23 See discussion in Chapter IV, section B-2.b), below.
24 See Chapter I, sections A-2.a) and B-2.a), above.
25 J.T. McCarthy, 4 McCarthy on Trademarks and Unfair Competition, 4th Ed. (Deerfield, IL: Clark Boardman Callaghan, 1996-xx) at 25:72, p. 25-162:
   But a domain name does not become a trademark or service mark unless it is also used to identify and distinguish the source of goods and services. [footnote omitted].
26 See e.g. Tourism and Corporate Automation Ltd. v. TSI Ltd., eRes, Case no. AF-0096.
However, similarity between the marks is not the only relevant factor for the finding of a likelihood of confusion. The ultimate test is whether this similarity is likely to lead to actual consumer confusion as to the source, connection, sponsorship, or endorsement of the wares or services identified by the junior mark. In order to determine whether or not such confusion is likely to occur, courts must take into account the surrounding circumstances, including the nature of the wares, services or business involved, as well as the nature of the trade. As discussed in Chapter I, some courts in the United States have accepted that "first interest" confusion on the Internet may be actionable, but only if the defendant's website contains goods or services that are in competition, or at least closely related, to the plaintiff's goods or services. This refusal to recognize "initial interest" confusion per se makes sense from the perspective of trademark law. Indeed, if "trademark confusion" were to be found every time an Internet user's attention was "detoured" from its original destination by another website, doing business legally on the Internet would be practically impossible. Internet users are aware of the fact that this particular medium contains an amazing amount of information, and of the possibility that by typing <trademarkX.com>, they might not hit trademarkX's official or affiliated website. That is why Internet users have developed a sense of vigilance when they are browsing the Internet. Internet navigation software such as Netscape and Explorer also offer the option to store a particular Internet address into a "favourites" file, in order to be able to get back to a particular site without doing a new search or relying on one's memory to do it. Also, the Internet contains many search engines that allow users to find a site using a more natural language and avoid the guessing.

Confusion, or "confusing similarity", is also a prerequisite for asking that a domain name be cancelled or transferred to a trademark owner by a panel applying the ICANN Policy.

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27 This Telstra interpretation was adopted in most cases where "use in bad faith" could not be proven by the complainant, but some panelists refuse to apply it.
30 ICANN Policy, subpara. 4(a)(i): **Applicable Disputes.** You are required to submit to a mandatory administrative proceeding in the event that a third party (a "complainant") asserts to the applicable Provider, in compliance with the Rules of Procedure, that (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
However, the standard applied is different than under trademark law. The panel in *Wal-Mart Stores, Inc. v. Richard MacLeod d/b/a For Sale* [Wal-Mart 3] wrote:

(...) a domain name is "identical or confusingly similar" to a trademark for purposes of the Policy when the domain name includes the trademark, or a confusingly similar approximation, regardless of the other terms in the domain name. In other words, the issue under the first factor is not whether the domain name causes confusion as to the source (...), but instead whether the mark and domain name, when directly compared, have confusing similarity.31

In many cases, therefore, only the identity or similarity in the words is taken into consideration, without reference to the content of the website.32 Confusion is sometimes also found even if similarity between the domain name and the mark is non-existent, or at least questionable.33

The reasoning in *Wal-Mart 3*, even though it is widely applied, is not universally accepted. In *Diageo plc v. John Zuccarini*34, for instance, the respondent had registered a series of domain names incorporating the famous mark GUINNESS, plus adjectives such as "sucks", "really-sucks" and "really-really-sucks", but was not making an active use of them. The panel seemed to experience difficulties in choosing a "confusion test". After reviewing precedents under the ICANN Policy and under United States law, the panelist concluded (quite reluctantly) that the appropriate test to apply was the *Sleekcraft* multi-factor test.35 Then he acknowledged that there were elements of the test that could not be properly applied to the dispute before him, namely the proximity of the goods, actual confusion, marketing channels used, type of goods and degree of similarity.

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31 *Wal-Mart Stores, Inc. v. Richard MacLeod d/b/a For Sale*, WIPO, Case No. D2000-0662 [hereinafter *Wal-Mart 3*] [emphasis added]. In this case, the domain in dispute was <wal-martsucks.com>. In *Smoky Mountain Knife Works v. Deon Carpenter*, eRes, Case No. AF-230(a)(b) [hereinafter *Smoky Mountain Knife*], the Panel discusses the question of which test is to be applied to the first factor in the Policy and concludes that, like when applying the U.S. Anticybersquatting Consumer Protection Act [ACPA], a lighter test must be used.


34 *Diageo plc v. John Zuccarini, Individually and t/a Cupcake Patrol*, ibid.

35 This test, set up in *Sleekcraft*, supra note 28, is discussed in Chapter I, section B-2.b), above. The *Sleekcraft* factors to evaluate if there is a likelihood of confusion are (1) strength of the mark; (2) proximity of the goods; (3)
of care likely to be exercised by the purchaser, and likelihood of expansion of the product lines. He went on saying that “[t]he legal principles applicable to this element of the test in paragraph 4(a) remain unclear and the matter deserves debate”. He then suggested that the argument proposed by the Panel in Wal-Mart 3 might be an extension of the test beyond that intended.

For some other panels, the standard is a loose “first interest” confusion test. In Wal-Mart 2, for instance, where some of the domain names in dispute contained the trademark WAL-MART plus the term “sucks”, the panelist said the following:

Internet users with search engine results listing Respondent’s domains are likely to be puzzled or surprised by the coupling of Complainant’s mark with the pejorative verb “sucks”. Such users, including potential customers of Complainant, are not likely to conclude that Complainant is the sponsor of the identified web sites. However, it is likely (given the relative ease by which websites can be entered) that such users will choose to visit the sites, if only to satisfy their curiosity. Respondent will have accomplished his objective of diverting potential consumers of Complainant to his websites by the use of domain names that are similar to Complainant’s trademark.37

In trademark law, such initial interest would only be cognizable if the defendant had sold, offered for sale or advertised goods or services that could be purchased in place of the plaintiff’s goods or services.38 The “evil” meant to be prevented by trademark law is not the possibility that Internet users will hit a website while searching for another, but the possibility that such users will hit the wrong website and be confused as to the source, sponsorship or association of the website (“traditional” confusion), or, not being confused, decide to consume the goods or

36 Indeed, the Sleekcraft factors were designed to only apply to related goods, not any goods or no goods at all! See Sleekcraft, ibid. at 348, Bally Total Fitness Holding Corp. v. Faber, 29 F.Supp.2d 1161 at 1163-1164 (C.D.Cal. 1998) [hereinafter Bally].
37 Wal-Mart 2, supra note 4. Author’s comment: The quote from Wal-Mart 2 shows a misunderstanding of the functioning of the Internet. A search engine can locate not only the sites with a domain name incorporating the word entered by the user, but also all websites containing the word, either in the visible part of the website or in the meta tags (see I. S. Nathenson, “Internet Infoglut and Invisible Ink: Spamdexing Search Engines With Meta Tags” (1998) 12 Harv. J.L. & Tech. 43). Therefore, a website containing an article with the title “Wal-Mart Sucks” would also appear in the listing of the results of a search under the word “Wal-Mart”, even if the domain name does not contain the word “Wal-Mart”. This was the case in Bally, ibid., where the defendant did not use the plaintiff’s mark in a domain name, but used “Bally sucks” as the title of his website. There is always a possibility that an Internet user will be distracted from his or her original objective by the multiplicity of sites identified by the search engine. See TeleTech Customer Care Management (California), Inc. v. Tele-Tech Co. Inc., 977 F.Supp. 1407 at 1410 (C.D.Cal. 1997) (noting that an average Internet search can result in 800 to 1000 “hits”). Internet users are aware of this fact.
38 See e.g. Big Star Entertainment, supra note 29 and discussion in Chapter I, section B-2.c), above.
services offered by the junior user of the trademark in place of the goods and services of the senior user (first interest confusion). Therefore, the panel in Wal-Mart 2 considered a type of confusion that is not cognizable under trademark law.

Furthermore, in Wal-Mart 2, the intent of the domain name registrant was taken into account at the “confusingly similar” stage, despite the fact that bad faith in the registration and use of a domain name is a separate element to be proven by the complainant in order to obtain relief under the ICANN Policy. Making the intent of the respondent in registering the domain name a significant element in the finding of confusing similarity is a way of ignoring the independence of the “confusing similarity” requirement under the UDRP. Two words or groups of words do not become more similar to each other because the junior user is acting in bad faith.

Under statutory trademark law, the test for likelihood of confusion is based not on the intent of the alleged infringing party, but on the average consumer’s potential reaction to the similarity between the marks. In an action for passing off, intent is no longer a requirement, and the action fails if the plaintiff is not able to prove confusion, or likelihood of confusion, as to the source of the goods or services or as to a connection or association between the defendant’s wares and services and those of the plaintiff. However, there have been trademark infringement and passing off cases where the defendant’s intent to deceive was taken into consideration at the “likelihood of confusion” stage. The argument is that if the defendant has adopted a trademark with the intention of confusing the public, there is a presumption that he is likely to succeed. Also, the defendant’s intent to deceive is part of most of the multi-factor test established by the

39 The panel pretended to apply the Sleekcraft factors. But only two of them were taken into consideration: the strength of the mark and the intent of the respondent in selecting the disputed domain names. Neither of them is relevant to the question of whether the domain name is confusingly similar to the trademark or not. The Panel acknowledged that the Sleekcraft factors had previously been relied upon in two trademark cases involving the Internet (Bally, supra note 36 and Brookfield Communications v. West Coast Entertainment Corporation, 174 F.3d 1036 (9th Cir. 1999) [hereinafter Brookfield]). In Bally, however, although the judge examined the Sleekcraft factors, he noted that the Sleekcraft factors were not applicable to the facts before him because the goods were not related (ibid. at 1163). In Brookfield, the Court had found that the products were related. Notwithstanding the problems in applying the Sleekcraft test to domain name disputes where there is no commercial use of the domain name(s), the panel in Wal-Mart 2 expressed the opinion that the test had been met.

40 The ICANN Policy requires that the complainant prove that (1) the domain name is identical or confusingly similar to the trademark in which the complainant has rights (subpara. 4(a)(i)); (2) the respondent has no right or legitimate interest in the domain name (subpara. 4(a)(ii)); and (3) the domain name has been registered and is being used in bad faith (subpara. 4(a)(iii)).


circuit courts in the United States. Needless to say, taking into consideration the defendant's intent as an "aggravating factor" does not mean that the intent of the alleged infringer becomes the sole criteria to be considered when determining if a likelihood of confusion exists. Also, as discussed in Chapter I, the question of whether the two marks are similar is distinct from the question of whether there is a likelihood of consumer confusion. When intent is taken into consideration, it is not at the stage of determining the degree of similarity between the two marks, which is a matter of objectively looking at both, but a the stage of determining if the public is likely to be confused as a consequence of this similarity. As the panel in a further decision involving a "sucks" domain name rightly stated, "[b]ad faith, no matter how egregious, cannot supply a likelihood of confusion where it does not otherwise exist."

In Wal-Mart 2, the respondent argued that the addition of the word "sucks" at the end of the names caused such names to lose their confusing similarity with complainant's trademark WAL-MART. The panel rejected the argument and declared that "[t]he addition of a common or generic term following a trademark does not create a new or different mark in which Respondent has rights". Again, the panel erred in applying the confusion criteria. What the respondent was arguing is not his legitimate interest in some "walmart sucks" mark, but the absence of confusing similarity between his domain name and the complainant's trademark. The absence of right or legitimate interest in respect of the domain name is a separate element to be proven by the complainant. It should logically follow that the existence of a right or legitimate interest in the domain name is not be taken into consideration at the stage of determining if the domain name is confusingly similar or not to the trademark. It the ICANN Policy was intended to take away all the domain names that have been registered and are used in bad faith from their

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43 See Chapter I, section B-2.b), above.
44 Chapter I, sections A-2.b) and B-2.b), above.
46 Wal-Mart 2, supra note 4.
The definition of abusive registration that we recommend be applied in the administrative procedure is as follows:
(1) The registration of a domain name shall be considered to be abusive when all of the following conditions are met:
(i) the domain name is identical or misleadingly similar to a trade or service mark in which the complainant has rights; and
(ii) the holder of the domain name has no rights or legitimate interests in respect of the domain name; and
(iii) the domain name has been registered and is used in bad faith.
registrants, then the first requirement, that the domain name be identical or confusingly similar to the complainant's trademark, would not be included in the text of the Policy.

What happened in Wal-Mart 2 is that the panel applied the second and third elements to be proven by the complainant under the Policy, namely: (ii) the absence of right or legitimate interest in the domain name and (iii) bad faith in the registration and use of the domain name, to justify its conclusion that the domain name in dispute and the complainant's trademark were confusingly similar. The panel seems to have been blinded by the fact that the respondent had the intention of harming the complainant commercially, to the point of ignoring that <walmartcanadasucks.com>, <wal-martcanadasucks.com>, <walmartuksucks.com> and <walmartpuertoricosucks.com> are not confusingly similar to WAL-MART. It seems that, let alone the fact that the standard of confusion is lower under the Policy than it is under trademark law, the panel in Wal-Mart 2 did not apply this lower standard properly. Wal-Mart 2 is not an isolated case in this respect. A lot of panels having to deal with “sucks” domain names also found confusing similarity.48 However, other panels, like in Wal-Mart 4, decided that there was no confusing similarity, because of the addition of the pejorative term “sucks”:

Unlike peta.org, walmartcanadasucks.com clearly signifies the critical purpose of the accused domain, and leaves no doubt in the mind of reasonable consumers that the site is not sponsored by the complainant.49

In sum, the UDRP decisions are not clear as to what should be the test for determining if confusing similarity exists within the meaning of subparagraph 4(a)(i) of the ICANN Policy. Some panels are of the opinion that any use of a trademark in a domain name can meets the test, while others have expressed the opinion that the addition of a pejorative word such as “sucks" to the trademark was sufficient to eliminate confusion. Others apply an “emasculated" trademark infringement confusion test, without taking into account the content of the website (when there is one). Some look at the content of the website to reach the conclusion that the reasonable Internet user is, or is not, likely to be confused. In most cases, however, panels applying

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49 Wal-Mart 4, supra note 45. <peta.org> refers to a U.S. trademark infringement case, People for the Ethical Treatment of Animals v. Doughney, 113 F.Supp. 2d 915 (E.D.Va. 2000). In other cases, the panel found that there was no likelihood of confusion, regardless of the absence of a pejorative word in the domain name, because of the non-confusing content of the website (e.g. Western Hay Company v. Carl Forester, NAF, Case No. FA0001000093466, Daniel J. Quirk, Inc. v. Michael J. Maccini, NAF, Case No. FA0006000094964).
subparagraph 4(a)(i) of the ICANN Policy do not apply the test for confusion used in trademark law. The likelihood of real consumer confusion as to the source, association or sponsorship of the goods and services offered or advertised on a website is rather taken into account at the stage of demonstrating respondent's bad faith or, more rarely, at the "legitimate interest" stage.

At the "bad faith registration and use" stage, the potential for real consumer confusion is one factor among others. If another indication of bad faith is shown, the likelihood of confusion, as understood in trademark law, will never be discussed. Therefore, contrary to what prevails in trademark law, it is possible for a trademark holder under the ICANN Policy to obtain the desired remedy without having to show a likelihood of confusion as to the source, association, sponsorship or endorsement, of the goods or services offered or advertised by a respondent.

C- The UDRP and the "Dilution" and "Depreciation of Goodwill" Requirements

In the previous section, classical trademark law, which requires that the plaintiff show likelihood of confusion, was compared to the UDRP. I concluded that there were significant differences. This section is about the differences and similarities between trademark dilution laws, which do not require showing likelihood of confusion, and the ICANN Policy.

1. The "Famousness" Requirement

Under the American Federal Trademark Dilution Act [FTDA], only famous marks are granted anti-dilution protection, and the statute provides the courts with a list of criteria to be considered in determining the "famousness" of the plaintiff's mark. Section 22 of the Canadian Trademarks Act does not require that the plaintiff's mark be famous. However, the wording of section 22, "depreciating the value of the goodwill attaching thereto", calls for an application to valuable trademarks. Cases where the applicability of section 22 was discussed often involved

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54 Moreover, section 22 seems to have been designed to protect well-known marks. The Report of the Trade Mark Law Revision Committee (Ottawa: Queen's Printer, 1953) at 26-27 reads:
well-known marks in Canada: MISS CLAIROL, LEGO, NINTENDO, PERRIER, MICHELIN. But others involved less known marks such as FUTURE SHOP and EYE MASTERS. Thus, although “famousness” is not a strict requirement under Canadian law, the amount of goodwill attached to a mark will be taken into consideration, and the extent of this goodwill will vary according to the “famousness” of the mark.

Under the ICANN Policy, “famousness” of the complainant’s mark is not a prerequisite to a domain name cancellation or transfer. Rather, the famous character of a mark can be a “bonus” for a complainant, since panels tend to infer bad faith more easily when the domain name in dispute contains a well-known mark. Although many UDRP cases involve famous marks (the more the mark is known, the more valuable the domain name is to the trademark owner, or the more people will hit the registrant's website while searching for the trademark owner's official website), some of them do not.

2. The Dilution Requirement
a) In the United States
The ICANN Policy does not contain the word “dilution” (or a synonym of it) in the examples of bad faith registration and use. However, the UDRP panels’ discretion is not limited to the analysis of the circumstances listed in paragraph 4(b). They are allowed to find indications of bad faith even if these circumstances are not present.

In Ingersoll-Rand Co. v. Frank Gully, d/b/a Avcomren, the respondent had registered three different domain names, all containing the complainant's trademark. These domain names were used as links to respondent's pornographic websites (which domain names did not incorporate complainant's mark). After having quickly determined that the domain names were identical or confusingly similar to complainant's trademark and that respondent did not have a legitimate interest in them, the panel analyzed the “bad faith” requirement. The panel found that the complainant had failed to meet its burden as to any of the four circumstances enumerated in paragraph 4(b). However, it considered that the respondent had registered and was using the

If, therefore, a well known trade mark is used by other than the trade mark owner in such a manner as would not previously have constituted grounds for an action either of infringement or passing off, but which has the effect of bringing the trade mark into contempt or disrepute in the public mind, the trade mark owner will be in a position to seek a remedy. [emphasis added].

55 See section A-1 of this chapter, above.
domain name in bad faith. In reaching this conclusion, the panel took into consideration the fact that the respondent had failed to respond to the complainant's offer to buy the domain name, the fact the respondent had failed to respond to the complaint under the UDRP, and the fact that the linking to a pornographic site was tarnishing complainant's well-known mark. In support of that last argument, the panel referred to the “tarnishment rationale set out in the case of Panavision Int'l v. Toeppen".56 Other panels however, have refused to use the ICANN Policy to prevent dilution.57

Even if the word “dilution” is not present in the ICANN Policy, the stretched definition of dilution contained in Intematic58 and Panavision59 seems to be echoes in the wording of subparagraph 4(b)(ii) of the ICANN Policy: “you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct (...).” However, the Policy does not require, as the FTDA does, that there be a “commercial use in commerce” of the complainant's mark for relief to be granted. It seems that the drafters of the ICANN Policy have decided to consider the type of “cybersquatting” that United States courts have found actionable under the FTDA, without also borrowing the “famousness” and “commercial use in commerce” requirements.

Subparagraph 4(b)(i), on the other hand, resembles a codification of the stretched definition of “use in commerce” found in Intematic and Panavision, i.e. the registration of a domain names for the purpose of reselling them for profit.60 There, the Policy seems to have borrowed a stretched “use” requirement without also borrowing the “famousness” and “dilution” requirements.

56 Ingersoll-Rand, supra note 12. Author's comment: In the Panavision decision, the court refers to Hasbro, Inc. v. Internet Entertainment Group Ltd., 40 U.S.P.Q. 2d 1479 (W.D.Wash. 1996) as an example of tarnishment on the Internet. In this case, the defendant was using the domain name <candyland.com> for a pornographic site and the plaintiff, owner of the trademark CANDY LAND for games.
57 See e.g. Loblaws v. Presidentchoice, supra note 16.
60 Subpara. 4(b)(i) reads:
(...) shall be evidence of the registration and use of a domain name in bad faith:
(i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of the
Subparagraph 4(c)(iii) considers that an intent to tarnish\textsuperscript{61} a mark is enough to find that there is no legitimate interest in the domain name, no matter if the use is commercial or not. The expression of opinions in a non-commercial setting is not exonerated from the application of the ICANN Policy and from a domain name transfer and cancellation, contrary to what should prevail under the \textit{FTDA}.

In \textit{Bally}, it was said about the \textit{FTDA} that "(...) trademark owners cannot quash unauthorized use of the mark by a person expressing a point of view. This is so even if the opinion may come in the form of a commercial setting."\textsuperscript{62} This seems to mean two things: (1) that it is possible to sell the "product" of the exercise of one's freedom of speech\textsuperscript{63} and (2) that it is possible for a non-for-profit organization to ask for money without falling into the definition of "commercial use in commerce". In the ICANN Policy, however, the "legitimate non-commercial or fair use" defence has an exception: intent of commercial gain. The wording of subparagraph 4(c)(iii) was criticized:

\begin{quote}
Under the WIPO definition, if you are a noncommercial group asking for paid membership on your website, the trademark challenger gets an added bonus because it can show that your group was using your domain name for "financial gain" (see evidence of bad faith in definition), a showing far easier to make than the traditional standard of "use in commerce" for a product or service.\textsuperscript{64}
\end{quote}

In sum, some of the ICANN Policy's provisions seem to be influenced by the vocabulary developed by United States courts (mis)using the \textit{FTDA} to provide trademark owners relief against cybersquatters.\textsuperscript{65}

\textbf{b) In Canada}

\begin{quote}
complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name.
\end{quote}

\textsuperscript{61} A concept clearly imported from the United States' dilution vocabulary.
\textsuperscript{62} \textit{Bally}, supra note 36 at 1167 [references omitted].
\textsuperscript{64} K. Kleiman, Paper: Concerns about ICANN Uniform Dispute Resolution Policy, <http://www.icann.org/comments-mail/comment-udrp/current/msg00012.html>.
\textsuperscript{65} This impression is reinforced by the presence, in the \textit{WIPO Report}, of positive references to \textit{Panavision}, supra note 59. See \textit{WIPO Report}, supra note 47 at para. 173, n. 135.
Unlike the meaning of dilution in the United States, the meaning of "depreciating the value of the goodwill associated thereto" has not been subject to a great deal of analysis in Canada. Justice Thurlow's understanding of the expression is that "[d]epreciation of that value ... occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of consumers who could otherwise be expected to buy or continue to buy goods bearing the trade mark".\textsuperscript{66} If that interpretation is correct, all cases of "cybersquatting" where there is only passive holding of a domain name should fail under section 22 of the Trade-marks Act. In effect, it is hard to see how the esteem that the public has of a mark could be diminished if no website corresponds to the domain name registered without authorisation. As argued previously, Internet users are aware of the fact that guessing the domain name of a company will not always be a successful way of locating that business on the Internet. The mere fact that \textlt{famoustrademark.com} does not correspond to Famous Trademark\texttrademark should not, logically, result in a depreciation of the value of the goodwill attached to a mark.

\textbf{D- The Trademark Law "Legitimacy"}

Although the ICANN Policy differs from trademark law, some panelists like to refer to trademark law in their decisions. Rule 15(a) opens the door to such reference by inviting panels to apply the laws and principles that they consider relevant.\textsuperscript{67} In some decisions, the panel refers to one or many trademark case(s) as a complementary justification for the transfer or cancellation of the domain name(s) in dispute.\textsuperscript{68} In others, the trademark cases are discussed in more detail and supposedly applied to the dispute.\textsuperscript{69}

Trademark cases may be of some relevance in the application of subparagraph 4(b)(iv), which wording is very similar to a classical definition of trademark infringement. Indeed, a person

\textsuperscript{66} Clairol International Corp. v. Thomas Supply & Equipment Co. Ltd. (1968), 55 C.P.R. 176 at 200 (Ex. Ct.).


[A] Panel shall decide a Complaint on the basis of the statement and documents submitted and in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable.


who infringes a trademark in bad faith and without a legitimate interest is a "cybersquatter" within the definition of the ICANN Policy. However, it is wrong to justify non-trademark results with trademark cases. It gives the complainant an artificial legitimacy to go after non-trademark domain name registrants.

Trademark laws are designed to prevent unfair commercial uses of a trademark in association with the sale, offering for sale, or advertising of goods or services. If the second user of the mark does not use it in such manner, there is no violation of trademark rights. Using trademark law against non-trademark users of a domain name is either assuming that the domain name will necessarily be used in a "trademark infringing way", and/or believing that a domain name should be used as such, because the natural way of using a domain name is as a trademark or trade name.

There seems to be a belief that a domain name incorporating a trademark should belong to the owner of this trademark, or should not exist, unless there is a very good reason for the reality to be different. The term "cybersquatting", which was adopted to describe the "wrong" of registering a domain name for "bad faith" purposes, confirms the impression that there is a tendency to consider that a trademark right constitutes a property right in the trademark itself rather than a property right in the goodwill attached to that trademark. In effect, a "squatter" is "one who settles on another's land, without legal title or authority". Accepting this term as a proper term to describe the abusive registration of a domain name is accepting that trademark owners have a proprietary right in the mark itself, an idea which, for obvious reasons, puts non-trademark users in the uncomfortable position of having to justify their registration of a domain name containing a mark, like trespassers caught on someone else's real property. If this is trademark law, then trademark law is like copyright law.

70 Pink Panther Beauty Corp. v. United Artists Corp., supra note 28 at 548: (...) [T]he Act makes clear that what is being protected is not the exclusive right to any mark that a person might think of but the exclusive right to use it in association with certain products or service.

71 The panel in Rollerblade, supra note 3, seems to be of that opinion: This panel does not see the slightest indication of a legitimate interest in this disputed domain name. Just because Respondent is a patron of Complainant's products and is enthusiastic about them is not a legitimate right or interest under the Policy 4(a)(ii) that would allow Respondent to register a domain name using the Complainant's trademark.


Copyright laws grant the copyright holder with a monopoly on the exploitation of the protected work, which includes any reproduction, adaptation, public performance, translation, etc. of the protected work. The monopoly is subject only to the exception of fair dealing in Canada (or fair use in the United States), which the defendant needs to prove in order to not be found liable for copyright infringement. Hence, every reproduction of the protected work is considered an infringement, unless the defendant has a fair dealing or fair use defence to present.

In a "normal" trademark dispute, a plaintiff cannot succeed against a defendant that does not use the disputed mark in commerce. Therefore, a defendant does not have to explain his or her reasons for choosing to use a particular mark if it is not used in a "trademark" way. UDRP panels, encouraged by the WIPO Report and by Rule 15(a) of the ICANN Rules, are using a trademark law "umbrella" to justify copyright-like results, giving the whole enterprise a legitimacy that it does not have.

One might argue that protection against cybersquatting is a natural expansion of trademark law. This is not correct. Accepting that idea would be changing the way we view the nature of the right in a trademark. Up to now, although we have called trademarks "intellectual properties", we have treated them differently than we have treated creations or inventions. The right in a trademark does not confer a monopoly on the use of the word, even on the use of the word in commerce. The protection has, so far, been limited to the world of trade. Viewing the anti-cybersquatting measures as a natural expansion of trademark law is accepting that the granting of a monopoly on any use of their mark to trademark owners is a natural expansion of trademark law. Instead of being a right in the goodwill attached to a mark, the trademark right would now be a right "in gross", subject only to very specific exceptions. This looks more like copyright law than trademark law. But a trademark right is not a copyright, and the distinction between a

that giving trademark protection in the absence of a likelihood of confusion is giving a copyright-like monopoly on the mark itself, as well as in "the abstract idea of the mark in the minds of the consumer and manufacturers").

75 Copyright Act, ibid., ss. 29ff.
76 Copyright Act of 1976, ibid., § 107.
77 For the purpose of this brief discussion, I only refer to the most prominent defences in copyright law.
78 Anti-dilution laws have increased the trademark owners' rights, and the scope of the exclusive use is now wider for well-known or famous marks. But the owner of this mark still has to prove the existence of a likelihood of
trademark and a copyrightable work is important. A copyrightable work is a work that has a value in itself: its mere publication adds to the public welfare. It is not so for a trademark, and this why copyright has not been granted in trademarks. Although the presence of trademarks and commercial entities is necessary in the type of society in which we live, the value of a mark, for the public, is not in the mark itself, but in the information conveyed by the mark to the consumers. Protecting trademarks against activities that take place outside of the "trade world" goes beyond the objectives of trademark law, which are the elimination of unfair competition and the prevention of consumer confusion. Moreover, it is harmful to society to permit trademark owners to go after people who reproduce or imitate trademarks for non-commercial purposes and/or in the exercise of their constitutionally protected freedom of expression. Indeed, the danger with pretending that the war to "cybersquatters" is a natural expansion of trademark law is that it might be hard to keep that "natural expansion" from "spreading" outside of the Internet. As Jessica Litman wrote:

Intellectual property rights may be like money: The more one has, the more one craves, and the more one comes to believe that one is entitled to. From expanding the ambit of producer's interest in a trade symbol beyond the ability to prevent even a broadly constructed likelihood of confusion to the right to prevent dilution, it is not very large step for the producer to assert that it owns the symbol for all purposes. And, if we begin with the assumption that someone must own the symbol, it is easy to focus on the producer as if it were the sole creator of a trade symbol's goodwill, simply because only the producer is uniquely identifiable. The American system has little tolerance for the collective ownership of property.

dilution in order to be able to prevent a third party from using it, and this right is limited to commercial uses of the senior mark.
Conclusion

The UDRP was supposed to be an adaptation of multilaterally agreed standards of trademark protection and its application was supposed to be limited to cases of cybersquatting, or bad faith use of the DNS. The combination of these two objectives seems to mean that the UDRP would only apply to cases of bad faith registration that also constitute infringement of trademark laws. As demonstrated in this chapter, something else is happening.

Although the initiators of the UDRP said that they did not intent to regulate the Internet or to create new rights for trademark holders, this is in fact what is happening. By entering in a contractual agreement with ICANN, a domain name registrant presumably agrees not to violate third parties' rights, and concrete consequences are attached to a failure to respect the “contract”. But in fact, what is being punished is more the cybersquatter’s bad faith and absence of legitimate interest than the violation of the complainant's trademark rights.\(^\text{85}\) Since the end of 1999, a significant number of domain names have been transferred or cancelled, to the benefit of trademark holders pretending that they had rights in them by virtue of their “ownership” of a trademark. As discussed in this chapter, many of these cases would not have been resolved in favour of the trademark holders if the cases had been brought before Canadian or United States courts applying trademark law.

The UDRP is not trademark law: it is something else.

\(^{85}\) Only subpara. 4(b)(iv) of the ICANN Policy deals with bad faith trademark infringement. Therefore, some cases decided under the UDRP are in fact trademark infringement. However, the infringement is not a requirement under the UDRP, and subpara. 4(b)(iv) is only one of the circumstances where bad faith use is deemed to exist. Therefore, although in these cases the UDRP does not go further than trademark law, the fact remains that the UDRP generally permits the trademark owners to “catch” domain name holders that they could not have reached under trademark laws.
IV- WHAT'S WRONG WITH “CYBERSQUATTING”?: IN SEARCH OF A RATIONALE

In Chapter III, I argued that although cybersquatting sometimes happens to also violate trademark rights, the UDRP\(^1\) as a whole has little to do with trademark law. However, I did not say that the UDRP is not justified because it does not really correspond to what it was declared to be. There are strong arguments in favour of cheap and effective means to resolve conflicts that originate on the Internet. However, I am not always satisfied with the decisions that emanate from the administrative-dispute-resolution service providers, and I am not alone.\(^2\)

This chapter looks at how such vague criteria as “bad faith” and “legitimate interest” have been interpreted by UDRP panels. It argues that the discretion granted to the panels by the ICANN Policy, to find circumstances of bad faith or legitimate interest outside of the circumstances it enumerates, is more often exercised in favour of the complainant, sometimes to the point of contradicting the Policy itself. This, combined with the fact that the complainant chooses and pays the service provider and that it is not possible to appeal a UDRP decision, calls for a more careful application of the Policy.

A stronger rationale is needed to guide the exercise of the discretion given to the deciding bodies by the ICANN Policy, so as to minimise the number of “bad” decisions. Although there are good reasons to agree with the existence of a Policy, there is no developed rationale on which the panels can base their decisions. This chapter looks at how common contractual, economic and moral justifications for the existence of the UDRP do not satisfactorily answer the more fundamental question of what exactly is wrong with “cybersquatting”.

\(^1\) Uniform Domain Name Dispute Resolution Policy, <http://www.icann.org/udrp/udrp-policy-24oct99.htm> [hereinafter “UDRP” or “ICANN Policy”].

A- Why is There a Need for a Rationale?

1. The Complainant Chooses and Pays the Service Provider

When a trademark owner decides to use the UDRP against a domain name holder, it gets to select the administrative-dispute-resolution service provider, and assumes the fees charged by it. This procedure allows for forum shopping by complainants. Since it is known by lawyers, if not by trademark owners themselves, that some service providers are more "complainant-friendly" than others, there is a real risk that a respondent will be treated unfairly, or that an appearance of unfairness will exist. Some statistics strongly suggest that forum shopping does exist: complainants chose WIPO 58% of the time, NAF 34% of the time, and eResolution only 7% of the time.

2. Panels Are Given a Lot of Discretion

It would be a gross exaggeration to affirm that the UDRP is totally groundless and that the deciding panels are free to interpret such vague concepts as "bad faith" and "legitimate interest" as they please. The ICANN Policy contains guidelines to help panelists determine if bad faith and legitimate interest exist in a given situation. However, it also allows panelists to find evidence of bad faith or legitimate interest outside of the circumstances enumerated.

Panels do not hesitate to seek circumstances of bad faith registration or use outside of the guidelines offered by the ICANN Policy. However, they tend to stick to the examples given in

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3 ICANN Policy, para. 4(d).
4 Ibid., para. 4(g).
5 According to a study by Michael Geist, as of July 7, 2001, WIPO panels had ruled for the complainant 82.2% of the time, NAF panels had 82.9% of the time, while complainants choosing eResolution had "only" a 63.4% success rate (M. Geist, supra note 2 at 6).
6 NAF even advertises its services in a pro-complainant tone, by distributing press releases containing reviews of pro-complainant recent decisions. See M. Geist, ibid. at 4-5.
7 M. Geist, ibid. at 6.
8 ICANN Policy, paras. 4(b) and 4(c).
the Policy when it comes to discussing the legitimate interest of the respondent in the domain name. Also, if "bad faith" and "absence of legitimate interest" are formulated as two separate elements to be proven by the complainant, it is rare that a panel will find one and not the other. In fact, the same facts are often used to justify both findings. Sometimes, the presence or absence of legitimate interest of the respondent in the domain name is not even discussed. In some other cases, the finding that the complainant has met one of the requirements is used to justify the finding that the other requirement is met.

### a) The Interpretation of the "Bad Faith" Concept

When concerned with bad faith, panels tend to interpret the ICANN Policy liberally. First, as discussed in Chapter III, "use" and "registration" are often not considered as separate requirements. Second, the meaning of the different circumstances enumerated in paragraph 4(b) is often stretched to the point where the limitations that it contains are emptied of their meaning.

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10 I have not read any decision where a legitimate interest was found outside of the list provided in the ICANN Policy.


13 In *Ronson Plc v. Unimetal Sanayi ve Tic. A.S.*, WIPO, Case No. D2000-0011, for instance, the fact that the respondent did not have a legitimate interest in the domain name was considered to be a factor in favour of a finding of bad faith.

14 See Chapter III, section A-1.

15 Para. 4(b) of the ICANN Policy reads:

b. Evidence of Registration and Use in Bad Faith. For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or

(ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.
One example of where the Policy is emptied of its meaning is in the interpretation of subparagraph 4(b)(i), which states that bad faith will be found if it is proved that the respondent has registered the domain name primarily for the purpose of reselling it to the complainant or a competitor of the complainant for valuable consideration in excess of out-of-pocket costs. Such intention has been rightly inferred from the behaviour of many respondents. However, in some other decisions, the conclusion that the respondent’s primary intention was to sell to the complainant or a competitor for profit seems to have been reached “in bad faith”. For instance, it has been decided that the circumstances of subparagraph 4(b)(i) had been met because the respondent was offering the domain name for sale to the general public, which includes the complainant. In Rollerblade, the respondent’s declaration that he would have been willing to transfer his non-commercially used domain name to the complainant in exchange for an item of the complainant’s product line and a tee-shirt for his nephew led the panel to conclude that the respondent was “determined to exploit his nuisance value with his overtures to be bought off”.

Also, the offering for sale of generic domain names that also happen to incorporate a trademarked word is sometimes found to meet the bad faith requirement of the ICANN Policy, the panel ignoring that subparagraph 4(b)(i) specifies that the primary intent of the domain name registrant has to be the reselling of the domain name to the complainant or a competitor, not to the public at large.

In J. Crew International, Inc. v. crew.com, mere domain name speculation was considered a “bad faith” activity. However, the Policy clearly states that bad faith use is to be presumed if the respondent has acquired the domain name primarily for the purpose of selling it to the complainant or a competitor of the complainant. The facts as presented did not show that the respondent had taken active steps to sell the domain name to the complainant or its competitors. However, the majority of the panel was of the opinion, based on considerations in the WIPO

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17 Robert Ellenbogen v. Mike Pearson, supra note 12.
18 Rollerblade, Inc. v. Chris McCrady, WIPO, Case No. D2000-0429 [hereinafter Rollerblade].
19 Some generic terms are often registered as trademarks, even though they are not inherently distinctive or fancy. APPLE and ROOTS are good examples of such trademarks. In these cases, the trademark registration is prima facie evidence that the generic term has acquired the necessary secondary meaning to qualify as a trademark. In cases of unregistered trademarks, the first thing the owner of a trademark that is not inherently distinctive or fancy has to prove is that the mark has acquired secondary meaning.
20 WIPO, Case No. D2000-0054 [hereinafter J. Crew].
Report, that speculation was only allowed "in domain names that do not correspond to registered marks or where the registrant has a demonstrable plan to use the domain name for a bona fide purpose prior to registration or acquisition." The panel reached that decision notwithstanding the fact that the domain name in dispute, <crew.com>, although identical to the trademark CREW, is also a generic word. The dissenting panelist criticized the majority's position. She said that if that test were to be applied, the second and third requirements of the ICANN Policy would be reduced to the single question of whether or not the respondent had "a specific bona fide purpose or use in mind prior to the acquisition of the domain name". She also argued that because "crew" is a common word, it could not be assumed, without additional elements, that respondent's intent was to sell the domain name to the complainant.21

The J. Crew decision is not isolated. Other panels have concluded that the respondent was using a domain name in bad faith even if the offer for sale was directed to the public "at large", and not specifically to the complainant or a competitor.22 The statement was even made that "[t]he offering for sale of a domain name, even to a third party, supports bad faith."23 Such interpretations contribute to empty the ICANN Policy of its meaning. The resale of domain names is not, per se, an activity that was intended to be controlled by the ICANN Policy.24

Subparagraph 4(b)(ii) indicates that bad faith will be found if the complainant shows that the respondent has registered the domain name in order to prevent the complainant from reflecting its mark in a corresponding domain name, provided that the respondent has engaged in a pattern of such conduct. In many cases, the second and quite significant part of that subparagraph is simply ignored.25

21 For a discussion about domain names incorporating marks that are also generic words, see Microcell Solutions, Inc. v. B-Seen Design Group, Inc., eRes, Case No. AF-131 (dispute over the domain name <fido.com>).
24 Hearst Communications, supra note 22 (dissenting opinion):
   Objectively, the sale of the domain name to another party with a legitimate proposed use is a strong factor undermining [a] claim of bad faith. A true cybersquatter is not someone who trades on the value of the name in a general market place for names. A cybersquatter is one who exploits or disrupts the brand equity of a trademark owner.
Subparagraph 4(b)(iii), which provides that the registration of a domain name primarily for the purpose of disrupting the business of a competitor constitutes bad faith, has also been interpreted quite liberally. According to some panels, the word “competitor” does not mean “competitor in business”, but rather means “competitor for the attention of Internet users”. Thus, competition between the two parties need no be commercial. This interpretation is somewhat bizarre, since the UDRP is supposed to be limited to situations where commercial gain is sought by the domain name registrant.

Such stretching of the normal meaning of the circumstances enumerated in paragraph 4(b) does not help eliminate the impression one might have that some panels tend to have a bias in favour of trademark owners, or make their decision that the respondent is a “cybersquatter” before even analysing the facts before them in light of the ICANN Policy.

b) The Interpretation of the “Legitimate Interest” Concept

Paragraph 4(c) reads:

c. How to Demonstrate Your Rights to and Legitimate Interest in the Domain Name in Responding to a Complaint. When you receive a complaint, you should refer to Paragraph 5 of the Rules of Procedure in determining how your response should be prepared. Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for the purpose of Paragraph 4(a)(ii):

(i) before any notice to you of the dispute, your use of, or demonstrable preparation to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods and services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

27 Internet Corporation for Assigned Names and Numbers (ICANN), Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy, <http://www.icann.org/udrp/udrp-second-staff-report-24oct99.htm> at subpara. 4.1c).
(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.\textsuperscript{28}

Where the ICANN Policy has been interpreted particularly narrowly is in the application of subparagraph 4(c)(iii). Subparagraph 4(c)(iii) was supposed to prevent trademark owners from harassing people who register domain names for non-commercial and/or freedom of expression purposes. However, UDRP panels often seem to ignore that a domain name can be legitimately used in a non-commercial way. When faced with an absence of active use, they often seem to only consider the potential illegitimate or bad faith use of the domain name, without being able to imagine that the domain name could eventually be used for legitimate non-commercial purposes.\textsuperscript{29}

When a non-commercial domain name holder appears to be in a situation described in subparagraph 4(c)(iii), he or she is not at all guaranteed to keep the domain name. Fortunately, some panels are willing to give a literal interpretation of subparagraph 4(c)(iii). In \textit{Bridgestone Firestone, Inc. v. Jack Mayers}\textsuperscript{30}, for instance, an ex-employee of the corporation, dissatisfied with its pension plan payments policy, registered the domain name <bridgestone-firestone.net> and set up a site to criticize the complainant. Although he admitted that he had chosen the domain name in full knowledge of the complainant's rights in the trademark BRIDGESTONE FIRESTONE, the respondent raised the defences of free speech and fair use. The panel accepted the argument:

Although free speech is not listed as one of the Policy's examples of a right or legitimate interest in a domain name, the list is not exclusive, and the Panel concludes that the exercise of free speech for criticism and commentary also demonstrates a right or legitimate interest in the domain name under Paragraph 4(c)(iii). The Internet is above all a framework for global communication, and the right to free speech should be one of the foundations of Internet law.\textsuperscript{31}

\textsuperscript{28} ICANN Policy, para. 4(c).
\textsuperscript{29} E.g. CBS Broadcasting, Inc. v. LA-Twilight-Zone, supra note 11, \textit{Time Inc. v. Chip Cooper}, WIPO, Case No. D2000-1342.
\textsuperscript{31} The free speech/criticism argument was also accepted in \textit{Daniel J. Quirk, Inc. v. Michael J. Maccini}, NAF, Case No. FA0006000094964 [\textit{Quirk 2}]. In that case, the respondent was dissatisfied with the car he had purchased from a Quirk dealer, and set up a few websites to criticize the complainant. The respondent lost to the same complainant, however, in two other cases: \textit{Quirk Nissan, Inc. v. Michael J. Maccini}, NAF, Case No. FA0006000094959 [\textit{Quirk 1}] and \textit{Quirk Works, Inc. v. Michael J. Maccini}, NAF, Case No. FA0006000094963 [\textit{Quirk 3}].
The panel also rejected the idea that domain name registrants are required to use "circumlocutions", like <trademarksucks.com>, to designate websites dedicated to criticism or consumer commentary. According to the panel, "a reasonably prudent Internet user can tell that the site is not the trademark holder's official site." However, the Panel took into consideration the fact that the respondent had registered a <.net> and not a <.com> for his criticism site, as an indication that the site was really intended to be non-commercial, and as an indication of good faith.32

On the other hand, some other panels have proved less tolerant towards the registration of domain name for the purpose of criticizing the complainant. A popular line of reasoning when such a situation occurs is that the respondent surely has a legitimate interest in criticising or parodying the complainant, but that it does not give him or her a legitimate interest in the domain name in question.33 In Compagnie de St-Gobain v. Comi-Union Corp., for instance, the factual background shows that the respondent had registered the domain name <saint-gobain.net> "to use it to voice opinions, concerns and criticism with regard to the management and activities of the complainant and affiliated companies with the Saint-Gobain group." At the date of the filing of the complaint, the respondent was using the domain name for a site allegedly aimed at commemorating the "forêt de Saint-Gobain". In response to the complaint, the respondent alleged that "Saint-Gobain is the name of a saint, a town and a forest", and that he had the right to use it in a domain name as long as he was not selling any merchandise. The panel rejected the respondent's freedom of expression argument. It found that the respondent had no legitimate interest in the domain name:

The issue at hand is however not as Respondent seems to contend, the freedom of speech and expression but the mere choice of the domain name used to exercise this inalienable freedom of speech and expression.

... Respondent could have chosen a domain name adequately reflecting both the object and independent nature of its site, as evidenced today in thousands of domain names.

32 In Western Hay Company v. Carl Foster, NAF, Case No. FA0001000093466 [hereinafter Western Hay], however, one of the domain names for which the transfer was denied was a <.com>.
33 Quirk 3, supra note 31:
The issues presented in this complaint have to do with Respondents right to use Complainants name as a domain name under the domain dispute resolution rules, not Respondents right to express an opinion or to free speech.
34 Compagnie de Saint-Gobain v. Com-Union Corp., WIPO, Case No. D2000-0020 [hereinafter St-Gobain].
The argument in St-Gobain contributes to empty subparagraph 4(c)(iii) of its meaning. In effect, the Policy is worded so that it requires the registrant of a domain name to have a legitimate interest in the domain name. But what would be the purpose of subparagraph 4(c)(iii) if it did not mean that the use of the domain name for freedom of speech purposes is considered a legitimate interest in the domain name? If we follow the argument in St-Gobain, it means that subparagraph 4(c)(iii) only applies to domain names that are different enough from the trademark so that an Internet user can, just by seeing the domain name, make the distinction between the trademark owner's website and the criticism website. But the identity or similarity between the complainant's trademark and the respondent's domain name is already dealt with at subparagraph 4(a)(i). Therefore, it should logically follow that only the respondents who have registered domain names that are identical or confusingly similar to a trademark will have to pass the "legitimate interest" test. In these circumstances, the St-Gobain reasoning is a total denial of the protection supposedly offered to non-commercial websites by subparagraph 4(c)(iii).35

Another good example of how subparagraph 4(c)(iii) is emptied of its meaning is found in Monty and Pat Roberts, Inc. v. J. Bartell.36 In this case, the respondent had registered a <.org> domain name incorporating the complainant's trademark. The website was used to criticize the complainant's practices as a provider of horse training services. Reacting to the respondent's argument that he had a legitimate interest in the domain name because it was used for free speech purposes, the panel wrote:

Respondent's claim to use of Complainant's mark for legitimate news dissemination purposes is a serious one, since the Panel is greatly concerned to assure that rights of the public to freely communicate their views on the Internet are protected and preserved. However, in balancing the rights of Complainant in its mark, and the rights of Respondent to freely express its views about Complainant's services, the Panel concludes that Respondent has impermissibly taken advantage of Complainant's commercial interests in the mark.

35 Unfortunately, the St-Gobain decision has inspired other panels in their interpretation of the Policy. In fact, it is among the most cited UDRP decisions. See e.g. Monty and Pat Roberts, Inc. v. J. Bartell, WIPO, Case No. D2000-0300 [hereinafter Monty Roberts], Bandon Dunes L.P. v. DefaultData.com, WIPO, Case No. D2000-0431, Estée Lauder Inc. v. estelauder.com, estelauder.net and Jeff Hanna, supra note 26.
36 Monty Robert, ibid.
Respondent has the right to express its views concerning Complainant on the Internet. (...)

However, the right to express one's views is not the same as the right to use another's name to identify one's self as the source of those views. One may be perfectly free to express his or her views about the quality or characteristics of the reporting of the New York Times or Time Magazine. That does not, however, translate into a right to identify one's self as the New York Times or Time Magazine.

In the instant case, Respondent is using as its identifier the domain name "montyroberts.org". When an Internet user searches for Complainant's mark, it will find Respondent's website address. There is nothing in the domain name to indicate that the site is devoted to criticism of Complainant, even though this criticism is apparent upon visiting Respondent's site. By using Complainant's mark, Respondent diverts Internet traffic to its own site, thereby potentially depriving Complainant of visits by Internet users.

Of course, decisions like St-Gobain and Monty Roberts do not have the effect of eliminating all forms of free speech and legitimate non-commercial activities from the Internet. They only contribute to take away the most powerful way of attracting readers and viewer to websites aimed at criticising specific trademark owners. These results are inconsistent with the declared objective of the ICANN Policy to limit itself to the "catching" of bad faith registrants of domain names seeking commercial gain. But they are certainly consistent with the trademark owner's desire to control what is said about them on the Internet.

If criticism does not constitute a legitimate non-commercial use of a domain name, what does? Maybe sites that are not meant to criticize a trademark owner's products or services, or the trademark owner itself, are deemed more "legitimate" in the eyes of the UDRP panelists. This seems true if we look at the Western Hay case, where the transfer of the domain names <westernhay.com> and <westernhay.net> was denied to the complainant. The respondent had set up a discussion forum on the merits of hay grown in the west. On the website, there was no reference to the complainant's business. Unfortunately, the panel did not explicitly discuss subparagraph 4(c)(iii) of the ICANN Policy or freedom of expression issues. Rather, the decision is based on the absence of likelihood of confusion and on the fact that "western hay" is a generic expression.

37 Western Hay, supra note 32.
Non-commercial and non-critical domain name registrants are not protected from harassment from trademark owners. If some succeed in keeping their domain names, like in Western Hay, some cannot convince the panel that they have a legitimate interest in the domain name. For the panelist in Rollerblade, Inc. v. Chris McCrady, it even seems that the only possible legitimate use of a domain name is a “trademark use”:

This Panel does not see the slightest indication of a legitimate trademark interest in this Response that would allow Respondent to claim a legitimate right or interest in this disputed domain name. Just because Respondent is a patron of Complainant's product and is enthusiastic about them is not a legitimate right or interest under the Policy 4(a)(ii) that would allow Respondent to register a domain name using Complainant's trademark.38

If we follow this reasoning, subparagraph 4(c)(iii) is totally useless. If only trademark interests constitute legitimate interests under the Policy, non-commercial uses of a domain name can never meet the test. And, because UDRP panels seem to have a hard time not finding bad faith when they find that there is no legitimate interest, it is almost impossible to keep a domain name incorporating a trademark, especially if the trademark is famous.39

Some flexibility is needed in the application of a dispute resolution mechanism such as the UDRP. Indeed, an overly strict application of the criteria provided in the ICANN Policy would often result in a frustrating powerlessness to provide adequate remedy to the complainant. However, because “bad faith” and “legitimate interest” are very subjective concepts, this flexibility, which gives panels a lot of discretion, needs to sit on more solid grounds.

3. There is no Appeal
The requirement to submit all applicable disputes to a mandatory administrative proceeding does not prevent the parties from submitting the dispute to a court of competent jurisdiction.40 However, the UDRP does not provide the parties with cheap and fast means to appeal a decision. Going to a court to submit the dispute is costly, and is likely to discourage the less wealthy party, presumably the respondent, to seek fairer treatment. In fact, very few respondents have gone to courts to try to keep their domain name.

38 Rollerblade, supra note 18 [emphasis added].
39 Indeed, panels have found very strong presumptions of “bad faith registration and use” where the complainant's trademark is well known. See Chapter III, section A-1.
The decision not to provide the parties with the possibility to appeal a UDRP decision is understandable from the perspective of creating a dispute resolution mechanism that is fast and cheap. However, if the ICANN Policy is not going to allow any appeal of the decisions rendered under it, it becomes even more important to avoid bad decisions as much as possible. Identifying the rationale behind the necessity to catch "cybersquatters", if such rationale exists, should help panels render better decisions when the circumstances of a case do not exactly fall within the guidelines provided by the Policy.

B- Where Is the Rationale?

1. The Contractual Argument: Cybersquatting is a Breach of Contract

Is "cybersquatting" wrong because it is a breach of contract? As discussed before, the registrant of a domain name enters into a contractual agreement with the registrar. Part of this agreement reads:

2. Your representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violated someone else's rights.41

The agreement does not create an obligation of acting in good faith and of having a legitimate interest in the domain name being registered or renewed. Rather, the agreement prevents the registrars from being sued for contributory trademark infringement, dilution and unfair competition, like it happened in the past.42 As discussed in Chapters I and II, "cybersquatters" do not necessarily violate trademark rights.43 In fact, most UDRP cases involve domain names

40 ICANN Policy, para. 4(k).
41 Ibid., s. 2.
43 The Anticybersquatting Consumer Protection Act [ACPA] (included as part of the Intellectual Property and Communications Omnibus Reform Bill, Pub. L. No. 106-113, §§ 3002 and 3003 (1999), codified at 15 U.S.C.A. §§ 1125(d) and 1117(d)), which is now part of trademark law of the United States, is similar to the UDRP in that it has bad faith and the absence of legitimate interest in the domain name as criteria of infringement. But the ACPA does not apply to disputes involving non-United States parties, and cannot be said to be part of multilaterally
that are not used as trademarks or in association with goods or services. The domain name holder in these cases cannot be said to be in violation of his or her contractual obligations. Therefore, the rationale for the good faith and legitimate interest requirements has to be found elsewhere than in contract law. A "cybersquatter" who is not also a trademark infringer is not in a situation of violation of his or her contractual obligations.

2. The Economic Argument: Cybersquatting Costs a Lot
There are strong arguments in favour of a cheap and fast dispute resolution mechanism. One argument is the relatively high value that a convenient domain name represents for a business, as compared to the value it represents for a "cybersquatter". As Luke A. Walker points out, the low cost of registering a domain name, compared to the price a trademark owner is willing to pay to "possess" a domain name that corresponds to its trademark, gives an unfair advantage to the domain name holder.44 A fast and cheap dispute resolution mechanism helps "balance out this leverage that cybersquatters have on trademark owners"45, and contributes to eliminate part of the strong incentive that people have to try to make fast money by registering trademarks in domain names. It also reduces the pressure on trademark owners to buy the problematic domain names from the cybersquatters, a pressure that comes from the loss of business that the company suffers every day it does not possess a domain name that corresponds to its trademark46, and from the high costs of litigation. Walker also justifies the targeting of "cybersquatters" by comparing the value a "cybersquatter" can extract from a trademark owner to the potential e-commerce value of the domain name. Because the latter is higher, it is economically reasonable to transfer the domain name to the trademark owner.

agreed standards of trademark protection. Moreover, the ACPA has only been in force since November 29, 1999, and a lot of domain names subject to disputes under the UDRP were registered before the coming into force of the ACPA. In these circumstances, the "cybersquatter" cannot be said to be in breach of his or her contractual obligation to not violate existing laws and regulations. However, it is to be noted that the Draft Agreement of the Free Trade Area of the Americas (FTAA) includes the obligation for the member-states to include in their legislation protection of trademarks against cybersquatting (see Free Trade Agreement of the Americas-FTAA, Draft Agreement, Chapter on Intellectual Property Rights, derestricted July 3, 2001, Article XX [Rights Conferred] and Article XX [Domain Names on the Internet]. But these provisions are not yet in force. Therefore, the existence of these proposed amendments does not influence the conclusion that many forms of cybersquatting are not in violation of existing laws and regulations.

46 Ibid.
These economic arguments make sense if we think of profit maximisation through the growth of e-commerce. However, they do not apply satisfactorily to all types of situations covered by the UDRP. In effect, the value of an economic analysis such as Walker's is diminished if we try to apply it to a situation where the trademark owner already possesses the domain name <trademark.com>. It is even more diminished where the trademark owner also possesses other domain names such as <trademark.net>, <trademarkcanada.com>, and <trademarkshoes.com>. If the trademark owner already possesses the most obvious domain names, so that Internet users are more than likely to hit the official site if they guess the company's domain name or use a search engine, the commercial value of the domain name in possession of the alleged "cybersquatter" is not as important for the trademark owner. The value of an economic analysis is also diminished if the domain name in dispute is <trademarksucks.com>. In effect, the consumer wanting to access a company's website is not likely to type <trademarksucks.com>. Therefore, the activities of the alleged "cybersquatter" are not a threat to e-commerce. Also, if the domain name is transferred to the trademark owner, chances are that it will not use it for its commercial activities. Chances are that the domain name will not be used at all. So the argument that the trademark owner is losing a lot of money, or potential profits, everyday the domain name is not in its possession, is not convincing. In fact, the alleged "cybersquatter" could probably extract more money, from the trademark owner or from a third party, than the trademark owner would be losing if the domain name were not transferred.

Economics may help justify the existence of the UDRP, but it does not help to rationalise its content and the decisions rendered in its application. So far, very few UDRP decisions have contained cost/benefit analysis of the desirability to transfer the domain name to the complainant. The UDRP decisions rather seem to be based on the belief that "cybersquatting" is "wrong".

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47 This is the basic argument in Walker's article. A discussion of its value is beyond the scope of this thesis. However, a lot of non-consumer and non-trademark users of the Internet would argue that not only e-commerce is not the only useful activity on the Internet, but also that its growth has been harmful to non-commercial activity on the Internet, and that e-commerce and e-advertisement is a form of pollution in a medium that was primarily designed for non-commercial purposes.
3. A "Moral" Argument: Cybersquatting is Wrong Because It Is Not Nice

The opinion that "cybersquatting" is "wrong" is widespread. The *WIPO Report* suggests that this opinion is unanimous. As mentioned previously, the WIPO definition of "cybersquatting" is "the abusive registration and use of a domain name that is identical or confusingly similar to a trademark". As the Policy is formulated, bad faith and an absence of right or legitimate interest in the domain name constitute the test for abuse. In other words, cybersquatting is wrong because it is abusive. It is abusive because it is done in bad faith without a legitimate interest.

Why is it that to hold a valid domain name registration, a person has to be in good faith and have a legitimate interest in the domain name? Although the registration of a domain name is relatively cheap, it is a logical inference to make that domain name registrants have at least an interest in the domain name they pay for. Why should this interest be legitimate?

A domain name is unique. There cannot be two identical domain names. But the potential number of domain names is practically infinite. If <trademark.com> is taken, one can register <trademark.net>, <trademarkcanada.com> or <tm.com>. However, some Internet users, like trademark owners for example, may want a particular domain name more than any other Internet user. Some fans of a music band may also want to see a show more badly than other individuals. However, tickets, like <.com>, <.net> and <.org> top-level domains, are allocated on a first come, first serve basis. In the case of tickets, there is no reason why we should give the first comer's ticket to the fan on the basis that the true motivation of the first comer for buying the ticket was to resell it to the fan for profit, or to prevent the fan from having the best seats. There would be a reason only if the fan had a superior right in the ticket, like a phone reservation, not a superior interest. Transferring the ticket to the fan, or cancelling it, would be even more illogical in a world where the number of tickets were unlimited, although not as good as the second individual's ticket.

This example, although not a perfect analogy, is used to show that what now seems a natural thing to do when dealing with domain names would seem totally illogical in other situations.

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It was a striking fact that in all the 17 consultation meetings held throughout the world in the course of the WIPO Process, all participants agreed that "cybersquatting" was wrong. [footnote omitted].
Although giving the ticket to the “real” fan, would be a nice thing to do, there is no reason to give the “real” fan legal means to obtain the ticket from the other individual. In “real life”, if a person has no right in a thing, he or she has no reason to complain if another person appropriates the thing for herself and uses it in bad faith. Why should it be different for domain names? At first sight, there is no answer to that question.

However, we instinctively make a distinction between the type of person who, for instance, registers a domain name incorporating his or her personal name for non-commercial purposes, and the type of person who, like Dennis Toeppen, registers domain names containing trademarks for the sole purpose of financially benefiting from the trademarks’ goodwill and reputation. Free riders of that sort, people who “reap where they have not sown”, do not attract a lot of sympathy.

4. Another Moral Argument: Cybersquatting is Wrong Because It Is a Form of Misappropriation

People like Dennis Toeppen use the fruit of other people’s labour to make money. Instead of making the effort of building their own legitimate business, they use the valuable intangibles of other businesses (their trade names and trademarks), incorporate them in a domain name that they obtain for cheap, and reap the benefits of having a popular domain name. This seems unfair to honest trademark and trade name owners, which have built their success and reputation by working hard and spending a lot of money on advertising. It seems that the fruit of their labour is misappropriated by bad, undeserving people like Toeppen. Here, there is an analogy to be made with situations that occurred in the past. However, we should not jump too fast to the conclusion that cybersquatting is misappropriation. Although there is some sort of analogy to be made with situations that occurred in the past, and where misappropriation was recognized as an actionable wrong, such analogy is far from perfect. As a starting point to the following discussion, the famous case of *International News Service v. The Associated Press*50 will be used.

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49 See <www.networksolutions.com> for a detailed list of the costs associated with the holding of a domain name.
50 (1918) 248 U.S. 215 [hereinafter *INS v. AP*].
In *INS v. AP*, the two parties were competitors in the business of gathering and distributing news in the United States. The defendant INS had copied news from early editions of newspapers and bulletin boards in the East Coast and resold them to its clients elsewhere in the country for publication, avoiding the costs and troubles of gathering the news itself.\(^{51}\) In addition to that, when publishing the news gathered by AP, INS had not mentioned their source as being AP.\(^{52}\) AP sued INS to restrain it from "pirating" its news. At the time of the dispute, it was not clear whether or not news were copyrightable matter. But even if they were, registration of the work was necessary for copyright to be granted. AP, due to the nature of the work (the value of news depends upon the promptness of its transmission and there is no time to go to the copyright office), had not complied with that requirement. Therefore, AP could not rely on copyright laws to restrain INS from appropriating the news in dispute. The first question was whether there was a property interest in the uncopyrighted news once published. The majority, whose opinion was delivered by Mr. Justice Pitney, found that there was no such interest as against the public in general, because information concerning current events is common property.\(^{53}\) However, the majority considered that there was a remaining economic interest in the news as between the two competitors, and that therefore, AP could be said to have a *quasi* property in the results of its enterprise.\(^{54}\) The appropriation of this *quasi* property by INS was considered unfair competition, against which relief should be granted.\(^{55}\)

\(^{51}\) Although the *INS v. AP* decision did not discuss this fact in great details, it is known that INS was barred from Europe during the First World War, and was therefore not able to obtain first-hand information about the war. See W. Gordon, "On Owning Information: Intellectual Property and the Restitutionary Impulse" (1992) 78 Va. L. Rev. 149 at 267 n. 448.

\(^{52}\) I mention this fact even though the majority did not consider it a major element. It was considered relevant, however, by the judge making passing off the core of his decision. See *INS v. AP*, supra note 50 at 246 (Mr. Justice Holmes, concurring).

\(^{53}\) *INS v. AP*, ibid. at 235-236.

\(^{54}\) *Ibid.* at 236.

\(^{55}\) *Ibid.* at 240-241. The majority added that unfair competition was also due to a misrepresentation by INS that it had gathered the news itself (not allowing AP to take the credit for the good quality of the product). But it added that the main cause of action was misappropriation. (*Ibid.* at 242). The opinion of Mr. Justice Holmes that relief should be granted to AP, however, is entirely based on a finding of misrepresentation (*ibid.* at 246-248). The dissenting judge, on the other hand, although recognising the injustice of INS's actions (*ibid.* at 262), expressed the opinion that what is lawful does not become unlawful because the parties are in competition. He wrote:

> Such taking and gainful use of a product of another which, for reasons of public policy, the law has refused to endow with the attributes of property, does not become unlawful because the product happens to have been taken from a rival and is used in competition with him (*Ibid.* at 258).

In other words, "competition is not unfair in the legal sense, merely because the profits gained are unearned, even if made at the expense of a rival..." (*Ibid.* at 259).
The majority grounded its opinion on two different arguments: an economic and a moral argument.

(i) The Economic Argument

The economic argument was based on the belief that the interest of the public in obtaining fresh news was served by granting AP a *quasi* property right in them:

That business [of making current events known to the world] consists in maintaining a prompt, sure, steady, and reliable service designed to place the daily events of the world at the breakfast table of [...] millions at a price that, while of trifling moment to each reader, is sufficient in the aggregate to afford compensation for the cost of gathering and distributing it, with the added profit so necessary as an incentive to effective action in the commercial world. The service thus performed for newspaper readers is not only innocent but extremely useful in itself, and indubitably constitutes a legitimate business.56

Indeed, if INS had continued to use the news for its own profit without compensating AP, the incentive for AP to gather the news would have disappeared, and the result would have been no news:

The cost of the service would be prohibitive if the reward were to be so limited. No single newspaper, no small group of newspapers, could sustain the expenditure. Indeed, it is one of the most obvious results of defendant's theory that, by permitting indiscriminate publication by anybody and everybody for purposes of profit in competition with the news-gatherer, it would render publication profitless, or so little profitable as in effect to cut off the service by rendering the cost prohibitive in comparison with the return.57

Because the Court considered important for the public to have access to news, it found it necessary to preserve the incentive businesses like AP have to continue spending time, money and energy in the enterprise of news-gathering. The *INS v. AP* situation is a very good illustration of a prisoner's dilemma, or asymmetrical market failure. Such situation is present where each participant (here INS and AP) would gain if both co-operated (in gathering and selling their own news), but where each of them would gain even more if the other participant co-operated and they did not (one gathered and the other copied without compensating). On the other hand, each participant would lose a great deal if they co-operated and the other did not:

If neither cooperates, the loss to each is less than he would have borne had he cooperated and had the other not cooperated. As a result, when each party lacks the means to know or to influence the other's choice, both may decide not to cooperate, leaving both [and the public] worse off than if each had cooperated.⁵⁸

In order to reverse that market failure situation and make co-operation more profitable, the law must provide means, for the participants who co-operate, to be compensated by those who decide to copy, or provide them with means of stopping the ones who use the results of their labour without authorisation.⁵⁹ For this intervention by the legislator or by courts to be necessary, at least two elements must be present. First, the parties must be in competition, so that the person who decides not to co-operate can provide the same (or a similar) product or service at a lower price, thus affecting the business of the person who decided to co-operate. Second, the context must exhibit asymmetrical market failure (the unrestricted taking of the product by the third party must result in the destruction of the incentive to co-operate).⁶⁰ Also, and more fundamentally, the protected activity must be beneficial to the public welfare, so that it is worth intervening to make sure we provide the necessary incentives for its continuation.

The recognition of a quasi property right in the news gathered by AP was also based on principles of fairness, which I will call the "moral argument" for the purpose of the following discussion. According to the Court, by taking AP's news, INS was "reaping where it has not sown". This argument is a little more difficult to digest if taken independently from the economic justification for preventing INS from copying.

(ii) The Moral Argument

As a moral justification, the majority in INS v. AP applied the "natural right theory", which grants a property right in the fruit of one's labour (in this case fresh news), creating some kind of common law intellectual property in it:

In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not

⁵⁸ W. Gordon, supra note 51 at 267 n. 446.
⁵⁹ This is one popular rationale for copyright protection.
⁶⁰ W. Gordon, supra, note 51 at 222-223.
sown, and by disposing of it to newspapers that are competitors of complainant’s
members is appropriating to itself the harvest of those who have sown.61

In other words, the one who sowed is entitled to the fruit of his or her labour. The reaping of
such harvest by a third person, who presumably has not spent the time, energy and money the
sower has, amounts to misappropriation.

I do not wish to discuss the appropriateness of recognising a quasi property right in the news in
great details. What is interesting to the present discussion is the fact that the Court in INS v. AP
decided that it was desirable to prevent INS from taking AP’s news, and that it grounded its
decision in a fairness argument, in addition to the public welfare argument.

Preventing third parties from using valuable intangibles created by others because it allows the
third parties to “reap where they have not sown” can be dangerous. Indeed, we all reap where
we have not sown when it comes to valuable intangibles.62 The writing of this thesis would not
have been possible without the use of other people’s work. Imitation has played, and is still
playing, a major role in the evolution of humanity:

He who follows the pioneer into a new market, or who engages in the manufacture
of an article newly introduced by another, seeks profits due largely to the labor and
expense of the first adventurer; but the law sanctions, indeed encourages, the
pursuit.63

In order not to stop progress instead of encouraging it, the boundary between what should be
allowed to be taken and what should not needs to be defined in a more precise way than just
saying that people should not be allowed to reap where they have not sown. If there is no limit
as to what can be prevented from taking, the first person to create or invent something will be
able to monopolise every possible use of it, to the detriment of other businesses and of the
public in general. Thus, in INS v. AP, the Court implicitly limited the prohibition to situations

61 INS v. AP, supra note 50 at 239-240.
62 W. Gordon, supra note 51 at 199, M. Spence, “Passing Off and the Misappropriation of Valuable Intangibles”
63 INS v. AP, supra note 50 at 259 (Mr. Justice Brandeis, dissenting).
where the parties are in competition. If INS had not been in the same business as AP, there would have been no reason to stop INS from using AP's news, even for profit.

In INS v. AP, the result achieved by the majority of the Court, preventing INS from copying AP's news, was acceptable due to the necessity of resolving a prisoner's dilemma situation. Unfortunately, the courts have not been so selective in the application of the doctrine of misappropriation. As Wendy Gordon notes, the misappropriation doctrine currently applies in circumstances where the public welfare is not in danger, i.e. where there is no competition between the parties and no asymmetrical market failure. Is the UDRP such a misuse of the misappropriation rationale?

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64 Ibid., at 239-240 and 245 (Mr. Justice Pitney, speaking for the Court). See also The Board of Trade of the City of Chicago v. Dow Jones & Co. Inc., 456 N.E.2d 84 (Ill. 1983) [hereinafter Board of Trade of Chicago] at 91-92: In holding that INS was unlawfully misappropriating AP's intellectual property the Supreme Court carefully stated that the evil of INS's practice was that it enriched itself by using information acquired from the AP wire service in direct competition with AP...

... The competitive-injury requirement has a sound basis in policy, for it allows the tort of misappropriation to protect the creators of intellectual property against actual injury to their business, but at the same time it allows for suitable reward for people who develop novel uses for information and ideas that are freely obtained from the public domain. [emphasis added] (Mr. Justice Simon, dissenting).

65 W. Gordon, supra note 51 at 267-268. One of the most famous examples of an expanded application of the tort of misappropriation is Board of Trade of Chicago, ibid. In this case the plaintiff (The Board of Trade of Chicago) was seeking a declaration that "its offering of a commodity futures contract utilizing the Dow Jones [the defendant] Industrial Average as the underlying commodity would not violate defendant's legal or proprietary rights". Since it was clear that because the parties were not in competition, the defendant's existing business was not threatened, it was argued that the use by the plaintiff of the defendant's trade indexes and famous name would result in a loss of prospective license revenues for the defendant. The plaintiff's argument was that because this licensing could not have been foreseen (or reasonably expected) by defendant at the moment of creating the indexes, it could not be said that the defendant needed this protection from "misappropriation" in order to continue having the incentive to produce the indexes. The Supreme Court of Illinois partly agreed with the plaintiff on this argument, but it did not stop it from ruling in favour of the defendant. The Court found an alternative argument in favour of the defendant: granting protection might stimulate the creation of improved indexes, which would serve the public interest. In the Court's opinion, the benefits of these new indexes would outweigh the costs that might result from preventing third parties from using the indexes without the defendant's consent. Therefore, the Court concluded, the defendant was entitled to protection against misrepresentation even if the proposed activities of the plaintiff were not in competition with the existing activities of the defendant (ibid. at 90). The dissenting judge, on the other hand, was of the opinion that the tort of misappropriation as developed in INS v. AP was only to be applied to situations where the parties are in competition with each other (ibid. at 91). He saw in INS v. AP an implicit requirement that the tort of misappropriation be limited to the use of the valuable intangible in a manner that would create an unfair advantage in competition (ibid. at 91-92). In the case before him, the parties were not in competition and the defendant's existing business was not in danger. Only hypothetical profits were being protected, and the possibility of making these profits depended on the decision of the Court to recognize or not a property right in the defendant's indexes:

Moreover, as the majority opinion admits, it is somewhat circular to base a finding of competitive injury on the ability to license the index to prospective markets when those licenses have no value unless we find in this action that Dow Jones has a property right in its index under the tort of misappropriation (ibid. at 92-93 referring to p. 89 of the majority's decision).
b) Is “Cybersquatting” Misappropriation?

That “cybersquatters” are bad because they reap where they have not sown, or misappropriate the commercial value of a trademark for their own profit, is a popular line of reasoning with the UDRP. But can the INS v. AP model, with its inherent limitations, be applied to cybersquatting?

(i) Cybersquatting and the Economic Rationale

The type of economic argument that added to the moral justification in INS v. AP, and which makes direct commercial competition between the parties a requirement, is rarely present in cybersquatting cases. There is obviously no competition between the trademark owner and the alleged “cybersquatter” if the latter does not use the domain name for commercial purposes. Also, it is almost pointless to mention that a domain name is not used to compete with the trademark owner if the domain name registrant is not using it at all. As for domain names that are used in association with goods or services, they rarely are in direct competition with the goods or services of the complainant. When they are, it is not necessary to apply the misappropriation doctrine in order to stop the junior user: the misrepresentation (or likelihood of confusion) rationale is sufficient.

Moreover, the trademark owner complaining about a “cybersquatter” who is not also a trademark infringer is rarely in a situation of market failure, or facing a prisoner’s dilemma.

The Board of Trade of Chicago example shows that applying the tort of misappropriation to non-competitive uses of a valuable intangible does not rest on strong grounds if an INS v. AP-type economic justification for granting the protection is not present.


67 See W. Gordon, supra note 51 at 222-223.

68 For the purpose of the following discussion, I do not take into account the type of “cybersquatting” contemplated by subparagraph 4(b)(iv) of the ICANN Policy, which corresponds in large part to the definition of trademark infringement. Indeed, there is no need to find a rationale for the granting of relief for this type of situation, because the same rationale as for trademark infringement applies. Most cases of traders registering their competitor’s trademark in a domain name and using the domain name in commerce will be resolved by applying subpara. 4(b)(iv).
Therefore there is no danger that if cybersquatting stays unpunished, the trademark owner's beneficial activities will end, to the detriment of the general public. Contrary to valuable intangibles such as news, inventions or copyrightable works, marks *per se* do not add to the public welfare. The person who comes up with a word, logo, get-up or slogan, even if the "creation" is very elaborate, does not immediately add to the public welfare, like an inventor does by making his or her discovery public, or an author by publishing his or her work.\(^69\) The value of a trademark, for the public, is in its association with specific goods and services. It is in the "information package" it conveys, which permits the lowering of consumer search costs.\(^70\) This value is developed through the use of the mark in association with wares and services, for the purpose of distinguishing them from the wares and services of other firms. What we want to induce through trademark protection is not the creation of more marks. We want to preserve the incentive the trademark owners have to invest in the quality of the goods or services identified by the mark.\(^71\)

Now does the presence of the "cybersquatting phenomenon" create such a counter-incentive so that there is a risk that the owners of trademarks that have come to represent this value for the public welfare will stop investing in quality? I seriously doubt it. Most trademarks targeted by cybersquatters are relatively famous, which usually means that they existed before commercial activities began on the Internet. Their reputation and goodwill have been built outside of the Internet. People chose the products associated with them because they seek a certain guarantee of their quality. Therefore, to keep consumer's loyalty, the owners of these trademarks have to keep offering quality. Whether they have a less attractive domain name does not really matter to the consumer.\(^72\) The manufacturer's product is not the domain name itself, so it does not matter whether the trademark owner uses <trademark.com>, the most obvious domain name to correspond to the trademark, or <tm.net>, a less obvious domain name. The fact of not having an obvious domain name may result in the trademark owner being obliged to advertise its official website's address more. But it will certainly not keep consumers who buy the trademark owner's goods or services because of their quality from buying them.

\(^69\) Exxon Corp. v. Exxon Insurance Consultants International Ltd., [1982] 1 Ch. 119.


\(^71\) Ibid., at 269.

\(^72\) See L.A. Walker, *supra* note 44 at 306 (noting that resolving domain names disputes is not so important to the consumer, because "cybersquatting is unlikely to result in repercussions to the consumer more severe than a minor headache").
Companies will certainly not stop having a “store window” on the Internet because there is a minor risk that some consumers will give up searching for the trademark owner’s official site. Trademark owners are there to make money and as long as the profits from their Internet sales will exceed the costs of running a website, they will not abandon their presence on the Internet.

All these observations lead to the conclusion that the economic rationale, present in *INS v. AP*, is often not present in cybersquatting cases. This would be enough to reject the misappropriation rationale as inapplicable to cybersquatting. But let’s assume for a moment that the moral, or “reap/sow” argument is a valid one, even if the competition and asymmetrical market failure factors are not present. Can it serve as a valid rationale for the UDRP?

(ii) Cybersquatting and the “Reap/Sow” Analogy
Before examining the question of whether “cybersquatting” is misappropriation, there are a few preliminary questions to be answered. Indeed, in order to find misappropriation, the subject of appropriation must be identified. Also, because the moral basis of the tort of misappropriation is that one should not be permitted to appropriate for oneself the fruit of another’s labour, the labourer must be identified.

• The Subject of Appropriation
The idea of a natural right to the fruit of one’s labour presupposes the existence of an identifiable “product”, some sort of “creation” that can be appropriated. In *INS v. AP*, the “valuable intangibles” were the news, which had been gathered and arranged in a publishable form by AP’s staff, with AP’s money. But, as Michael Spence notes, a lot of valuable intangibles are created without any time, effort and money. Many valuable intangibles are the fruit of a moment of inspiration.\(^{73}\) This can very well apply to marks at the moment of their “creation”, i.e. before they begin to serve to distinguish goods or services from the goods or services of another source.

The valuable intangible protected by trademark law is the goodwill attached to the mark, “that which makes tomorrow’s business more than an accident; [...] the reasonable expectation of

\(^{73}\) M. Spence, *supra* note 62 at 487.
future patronage based on past satisfactory dealings". Its existence depends on the capacity of the public to associate the mark with goods or services and on the public’s decision to stick to that mark. Marks have no value unless they are associated with some goods or services in the course of trade.

Goodwill is not easy to define. This difficulty is well illustrated in *Harrods Ltd. v. Harrodian School*, where the Court experienced some trouble determining whether or not the exploitation of a school was within the range of activities that the plaintiff could prevent other traders from doing, by invoking the importance of the goodwill attached to its name. The Court came to the conclusion that the defendant should not be restrained in its activities, because even if most people were likely to have the plaintiff in mind when seeing or hearing the defendant’s name, it was unlikely that these people would think that the school was exploited or endorsed by the plaintiff. In *Harrods*, the Court did not have to determine the exact scope of the plaintiff’s goodwill because the test was whether there was a likelihood of confusion. In other words, because classical trademark law is about misrepresentation rather than misappropriation, the exact scope of the goodwill associated with a trademark does not have to be defined by the courts. However, if we want to apply the misappropriation rationale to the UDRP, under which confusion in the trademark law sense is not a requirement, what is susceptible of being reaped needs to be defined. But this task may be impossible.

This inability to define with any precision the subject matter of a right against misappropriation would be enough to deny its existence when dealing with trademark law. For the purpose of this analysis, however, it will be assumed that it is possible to identify the exact nature of the valuable intangible.

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75 See *The Commissioners of Inland Revenue v. Muller & Co.’s Margarine Ltd.*, [1901] A.C. 217 at 238.


77 *Ibid.* at 712-713

78 *Ibid.* at 712:

The name “Harrods” may be universally recognised, but the business with which it is associated in the minds of the public is not all embracing. To be known to everyone is not to be known for everything.

79 See Chapter III, section B, above.

80 See M. Spence, *supra* note 62 at 476.

The Sowing

In order for the "reap/sow" argument to make sense, there is a need to identify the person or entity that sowed, the "creator" entitled to the fruit of his or her (or its) labour. A trademark has no inherent value. Its value is built through its use in commerce, in association with wares or services. So the "creator" of the mark, whether it is a word, a logo or a get-up, is not the sole "creator" of the valuable intangible presumably worth protecting. As Michael Spence argues, it would be difficult to identify the "creator" of the valuable intangible if we were to apply the natural right theory to trademark law. Is it the person who came up with the name, the investors, the distributors, the advertising agency? Are all of them the sowers?

The value of the intangible is in the goodwill, which is built over the years. The development of this goodwill requires time, effort, risk-taking and large expenditures of money. However, as Malla Pollack argues, the goodwill associated with a strong mark is not only the fruit of the trademark owner's labour, but there is also a contribution from the public. Indeed, consumers, by spending their money on one mark instead of another, and, in some cases, by displaying the mark on their clothes or other goods they purchase, contribute to the commercial success of a trademark, and thus to the building of the goodwill attaching to it. Contrary to the news, which is delivered to passive consumers every morning, the value of a trademark depends on the participation of the public. If a parallel with copyright law were tenable, the goodwill in the trademark would be a work of joint authorship, with joint authors very hard to identify.

This difficulty in identifying only one sower poses major theoretical problems when it comes to applying a doctrine based on the reap/sow argument to the appropriation of valuable intangibles. A theory based on the entitlement to the fruit of one's seriously lacks solid foundation if the labourer cannot be identified. However, for the purpose of carrying this analysis further, it will be assumed that the labourer is the trademark owner.

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82 Exxon Corp. v. Exxon Insurance Consultants International Ltd., supra note 69.
83 M. Spence, supra note 62 at 479-480.
• The Reaping

If the domain name in dispute is not used in association with goods or services, it cannot be argued that there is misappropriation of the trademark’s goodwill. Without an association with wares or services, there is no goodwill. There can only be misappropriation if the association mark-wares or mark-services is appropriated. The property right is in the goodwill and the goodwill is not appropriated if only the trademark “as a word” is imitated.

Even if what was worth protecting was the word itself, the misappropriation argument could not justify the transfer or cancellation of a domain name incorporating the mark if the alleged “cybersquatter” was not making any profit from the registration and/or use of the domain name. For instance, even if the domain name was registered primarily for the purpose of selling it back to the trademark owner\textsuperscript{85}, the reaping without sowing, would only occur if the trademark owner accepted to buy the domain name for a price exceeding the costs incurred by the domain name registrant. Hence, the “cybersquatter” will only reap where he has not sown if the trademark owner agrees to let him do so. Similarly, a domain name used for purposes other than profit cannot be said to be the instrument of the reaping without sowing of the domain name registrant.

• The Harm

The majority in \textit{INS} v. \textit{AP} also justified the conclusion that INS’s action was unfair by referring to the general duty not to cause preventable harm to others:

\begin{quote}
The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other.\textsuperscript{86}
\end{quote}

The problem with this argument is that “the harm done to the would-be user in preventing him from using the valuable intangible will often be equivalent to the harm that would be done to the “creator” by the proposed use”.\textsuperscript{87} Even in \textit{INS} v. \textit{AP}, it is not clear whether the harm that would have been caused to AP if INS would have been permitted to continue copying was more

\textsuperscript{84} M. Pollack, “Your Image is My Image: When Advertising Dedicates Trademarks to the Public Domain” (1993) 14 Cardozo L. Rev. 1392 at 1419ff.
\textsuperscript{85} ICANN Policy, subpara. 4(b)(i).
\textsuperscript{86} \textit{INS} v. \textit{AP}, supra note 50 at 235-236.
\textsuperscript{87} M. Spence, \textit{supra} note 62 at 483.
important than the harm that the decision caused to INS’s business. Moreover, it is certainly true that not letting INS continue providing its clients with news copied from AP was doing harm to these clients, as well as to the public in the communities that were only served by INS’s clients.\(^88\)

The same objection applies to trademarks. The argument can be made that if trademarks were protected against all forms of reproduction (or “appropriation”), and if every junior user that “harmed” the trademark could be ordered to stop using the mark, there would be a possibility that in trying to eliminate the harm to the senior user, a greater harm would be caused to the junior user and to society in general.\(^89\)

The “balance of harm” is not always heavier on the side of the trademark owner in cases of “cybersquatting”.\(^90\) Firstly, even if the ICANN Policy seems to rest on the basic assumption that every bad faith registration and use of a domain name incorporating a mark or a “confusingly similar” combination of letters is harmful to the owner of the trademark, the

\(^{88}\) Although the dissenting judge was sensitive to injustice of INS’s action, he was also sensitive to the potential harm done to the public by recognising a general right against misappropriation. He expressed the opinion that granting a property right in the news was not an application of the existing rules of law to new facts, but involved the creation of new rules. Although the recognition of new private rights had been done in the past, the judge was of the view that in this case, public interest issues demanded judicial reserve:

The rule for which the plaintiff contends would effect an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas; and the facts of this case admonish us of the danger involved in recognizing such a property right in news, without imposing upon news-gatherers corresponding obligations. (INS v. AP, supra note 50 at 263, Mr. Justice Brandeis, dissenting).

The dissenting judge suggested that the legislator should take care of delimiting the rights and obligations of the competitors in comparable situations, and that the public interest should be taken into account. He suggested that in balancing the individual interests with the public interest, legislators might conclude that it is impossible “to put an end to the obvious injustice involved in such appropriation of news, without opening the door to other evils, greater than that sought to be remedied” (ibid. at 264), or that in order not to compromise the free flow of ideas in the country, the remedy available should only be the recovery of damages, and not an injunction. (ibid. at 266).

\(^{89}\) This comment can be transposed to anti-dilution laws. Indeed, when the junior user of the mark is prevented from continuing to use it, the harm caused to the junior user (the cost of changing the mark, the logo, etc., the loss of the small goodwill that was attached to the junior mark, the cost of informing consumers and potential consumers that the wares or services have a new identity, etc., the loss of opportunity to benefit from selling goods and services under a name that is already known, etc.) may in some cases be greater than the harm caused to the senior user, especially when the harm is allegedly caused by dilution by blurring. See generally J.E. Moskin, “Dilution or Delusion: The Rational Limits of Trademark Protection” (1993) 83 Trademark Repr. 122. This potential problem has supposedly been taken care of in the Federal Trademark Dilution Act, which states that:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous an causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. (...) [emphasis added] (Lanham Act § 43(c)(1), 15 U.S.C.A. § 1125(c)(1)).
existence such damage is not self-evident. The assumption that every time a consumer searching for the official website of a trademark owner hits another website, a damage is caused to a trademark owner, is questionable. Indeed, in the absence of likelihood of consumer confusion, it is unlikely that the consumer will give up searching for the trademark owner’s site. The same argument applies, a fortiori, in cases where the domain name is not linked to an active website at all.

Secondly, even if damage is really caused to the business of the trademark owner, it is arguable that the harm caused to the “cybersquatter” (the loss of potential gain) will be greater than the harm the trademark owner seeks to prevent by filing a UDRP complaint.\textsuperscript{91}

In \textit{INS} v. \textit{AP}, the general rule that there is a duty not to cause preventable harm to others was limited to “competitive-injury”\textsuperscript{92} and was not meant to apply to any type of harm that may have been caused to \textit{AP} by other users of the news. Similarly, the “harm argument” can hardly be transposed to UDRP disputes. Under the UDRP, only a fraction of the cases are concerned with parties that are in direct competition with each other.

For all theses reasons, I find that the misappropriation rationale, without an accompanying economic rationale like the one that was present in \textit{INS} v. \textit{AP}, is not a valid rationale for the UDRP. To respect the spirit of \textit{INS} v. \textit{AP} when it comes to protecting the businesses of trademark owners, there is no need to rely on the misappropriation rationale. The protection can reasonably be limited to a prohibition against uses of the valuable intangible that may result in consumer confusion. This way, the law protects the incentive the “creator” has to offer goods and services of a uniform quality\textsuperscript{93}, without over-compensating him or her by protecting that part of the intangible that is only profitable to the “creator” but not to the public in general.\textsuperscript{94}

\textsuperscript{90} See discussion in Chapter V, section B-3., below.
\textsuperscript{91} Walker's argument in favour of the UDRP is based on an assumption to the contrary (that the loss of potential business for the trademark owner is greater than the potential benefit that the cybersquatter could get from selling the domain name to the trademark owner) (L.A. Walker, \textit{supra} note 44 at 306). As I argued, Walker's argument is not valid unless specific conditions are met.
\textsuperscript{92} See \textit{Board of Trade of Chicago}, \textit{supra} note 64 at 91-92 (Mr. Justice Simon, dissenting).
\textsuperscript{93} And therefore contributing to lower consumer search costs. See Landes & Posner, \textit{supra} note 70 at 269ff.
\textsuperscript{94} There are two opposing economic theories on the necessity to protect trademarks beyond their ability to distinguish goods and services. One views advertising as a good thing because it conveys useful information to the consumers, which contributes to reduce search costs (see generally Landes & Posner, \textit{ibid.}). The other perceives advertising as not always informing consumers. Rather, advertising is viewed as enticing consumers to buy things that they do not really need. This creation of a demand for products identified by a certain trademark allows firms
Also, it leaves part of the valuable intangible in the public domain, for the use of it by others.\textsuperscript{95} These objectives were well served by trademark laws before the creation of the UDRP.

This said, we are left with no intelligible rationale behind the prohibition to register domain names identical or similar to trademarks in bad faith and without a legitimate interest, apart from the intuition that cybersquatting is “wrong”. The UDRP does not provide a rational basis for tracing the line between what is not wrong, what is wrong and what is actionably wrong.

\textbf{Conclusion}

A lot of decisions rendered in favour of the complainant were dealing with clear cases of cybersquatting (registration of multiple versions of the same trademark in many domain names, offer to sell the domain name for an outrageously high price, use of a competitor’s name as a domain name to attract potential consumers to a website, etc.). In these cases, the ICANN Policy has served its original (or declared) purpose. If one agrees with the content of the ICANN Policy, then one must agree with these decisions. However, there are plenty of “not-so-good” decisions, such as the ones identified in this document. Some are “not-so-good” because the result is unfair, and some are bad because they contain questionable reasoning, which is subsequently used by other panels to reach unfair results. It is my opinion that the multiplicity of these “not-so-good” decisions is partly due to the existence of an underlying assumption that trademark owners are entitled to every domain name incorporating their trademark. This comes from the belief that the primary function of domain names is to correspond to a trademark or trade name. This assumption has led the drafters of the UDRP to have trademark law in mind, and to use some trademark law vocabulary in the ICANN Policy. It has also led many panelists to justify non-trademark results by referring to trademark cases, to apply trademark law criteria to situations that have nothing to do with trademark law, and to consider that trademark interests are more legitimate than non-trademark interests.

The problem faced by UDRP panels is that apart from an extended notion of trademark law and some instinct that cybersquatting is wrong, there seems to be no rational basis for the UDRP. In

\textsuperscript{95} See \textit{Board of Trade of Chicago}, \textit{supra} note 64 at 92 (Mr. Justice Simon, dissenting).
this chapter, I examined a few common justifications for the transfer and cancellation of domain names, but none of them is satisfying enough. In Chapter V, I will explore what is potentially a more suitable rationale for the UDRP, the doctrine of abuse of rights.
V- "CYBERSQUATTING" IN THE LIGHT OF THE DOCTRINE OF ABUSE OF RIGHTS

The need for a Policy exists. The opinion that "cybersquatting" is "wrong" is widespread. But also widespread is the knowledge that not every wrong deserves legal attention or justifies legal intervention. In the previous chapters, I have argued that "cybersquatting" fits poorly in the trademark law/passing off framework. I have also argued that reasons commonly given to transfer or cancel domain names are not entirely satisfying. Perhaps the "abusive registration and use of a domain name that is identical or confusingly similar to a trademark" does not fit into any pre-existing category.

The civil law doctrine of "abuse of rights", however, presents interesting analogies with the concept of "abusive registration and use of a domain name", and perhaps defines more adequately the problem than the term "cybersquatting", which has dangerous connotations.¹ The hypothesis of this chapter is that the civil law doctrine of abuse of rights, as understood in France and Québec², is a good legal framework for understanding the relationship between a trademark owner (and possibly other interested Internet users), and a domain name holder. This chapter examines the doctrine of abuse of rights as a rational basis for a dispute resolution mechanism like the UDRP. This chapter first contains a general overview of the doctrine of abuse of rights, some applications, the different ways it has been interpreted, and how it is codified. Then, it contains an attempt to draw a parallel between the abuse of rights doctrine and domain name/trademark disputes.

¹ According to the Blacks Law Dictionary, a squatter is "one who settles on another's land, without legal title or authority" (Blacks Law Dictionary (6th ed. 1990) at 1403).
A- The Doctrine of Abuse of Rights

1. Abuse of Rights: A Controversial Concept

Generally, an abuse of right occurs when the holder of a right exercises that right in a manner that is harmful to a third party, even if not illegal \textit{per se}.\textsuperscript{3} However, not every harmful activity is caught under the abuse of rights umbrella. In the law of property, for instance, the right of a landowner to do whatever he likes on his or her property can be abused if the exercise of that right harms the neighbour without adding anything to the well-being of the owner. A neighbours' dispute resulting in one of them building an excessively high and ugly fence between the two properties, for the only purpose of causing harm to the other, is a classical example.\textsuperscript{4} However, the erection of a normal fence for privacy reasons, although it might deprive the neighbour of some sun, will generally not be found abusive.

The theory of abuse of rights is said to have been rejected by the common law.\textsuperscript{5} In the well-known case of \textit{Mayor of Bradford v. Pickles},\textsuperscript{6} the defendant owned land through which ran a spring that for years had fed the plaintiffs' supply of water. At one point the defendant began to divert the water, supposedly for the purpose of draining his land, in order to "work on his minerals". These operations had the effect of diminishing the amount of water in the spring, thus depriving the whole town of a substantial source of water. It was later proven that Mr. Pickle's real motivation was to injure his neighbours the plaintiffs, in the hope that they would purchase his land or offer him some other compensation for the water. The plaintiffs showed that the defendant never had the intention of "working his minerals". The House of Lords affirmed the Court of Appeals' decision not to grant an injunction. The Court decided that as long as the act is legal, the motivations are immaterial.\textsuperscript{7} The Court expressed the opinion that although the defendant's conduct in wilfully depriving his fellow townsmen of part of their water supply might be "shocking to a moral philosopher", there was nothing in the law of

\textsuperscript{2} The analysis of the doctrine is limited to these two territories, although references might be made to other civil law regimes if necessary.
\textsuperscript{3} J.L. Baudouin & P. Deslauriers, \textit{La responsabilité civile}, 5e édition (Cowansville: Yvon Blais, 1998) at 121 [hereinafter Baudouin & Deslauriers].
\textsuperscript{5} H.C. Gutteridge, "Abuse of Rights" (1933) 5 Cambridge L.J. 22 at 22, M. Taggart, \textit{The Common Law in Pickles: Abuse of Rights in Historical-Comparative Legal Perspective} (Toronto: Faculty of Law, University of Toronto, 2001) at 2.
\textsuperscript{6} [1895] A.C. 587 (H.L.).
\textsuperscript{7} \textit{Ibid.} at 600-601 (Lord Macnaghten).
England which could stop him from being as "churlish selfish and grasping" as it was possible for a man to be.8

The common law, which prefers specific categories to general principles9, will be reluctant to find liability where the exercise of a right, although illegitimate or contrary to general principles of morality, is otherwise legal. The civil law, however, approaches the law with more general principles.10 Most civil law jurisdictions will apply the principle that "the right stops where the abuse begins".11 The argument can certainly be made that Mr. Pickle would have been found liable had he been sued in a civil law jurisdiction.

The expression "abuse of rights", however, is not an easily digestible one. The term "abuse" naturally contradicts the concept of "right". The French author Planiol was very critical of the use of the expression by judges and academics, because he thought that it did not convey any rational meaning.12 According to him, the same act cannot be legal and illegal at the same time. However, the author was not rejecting the principle underlying the doctrine, i.e. that "the rights stops where the abuse begins". He was only criticising the use of the expression "abuse of right".

Civil law courts have found different forms of "abuse of rights", especially where a right of property was involved, but also in other situations.13 The next section examines some applications of the doctrine of abuse of rights in France and Québec. Since the circumstances of the cases applying the doctrine of abuse of rights are very different from the Internet context, the following case study is limited to a few illustrations.

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10 In the French Civil Code and the Civil Code of Québec, S.Q. 1991, c. 64 [hereinafter CCQ], the whole law of torts is contained in just a few short articles (articles 1382 to 1386 in France, articles 1457 to 1469 in Québec).
12 2 Planiol, Traité élémentaire de droit civil no. 871 (9th ed. 1923).
2. Applications

In France and Québec, the theory of abuse of rights has found application in many fields of law. The following examples are cases of abuse of ownership rights and of contractual rights.

a) Ownership Rights

In the well-known French case of Coquerel v. Clément-Bayard\(^\text{14}\), the defendant had erected 16 meter wooden scaffolds equipped with steel spikes on his field, in order to render his neighbour's airships experiments dangerous and force him to buy his land. The scaffolds and spikes were not serving any legitimate interest the defendant may have had (they could not even serve as a fence), apart from speculation. The Court of Cassation stated that there was nothing illicit in the mere fact of speculating to obtain the best price possible for the land, as long as the means used were not illegitimate and exclusively driven by malice. The Court confirmed the judgements of the two inferior courts, that although the defendant had exercised his legal right to make whatever use he liked of his land, he had also abused it. An injunction was granted and Mr. Coquerel was condemned to compensate the plaintiff for his past economic loss.\(^\text{15}\)

Similarly, in the Québec case of Brodeur v. Choinière\(^\text{16}\), the two neighbours had had disagreements concerning incursions of the defendant's hens and turkeys onto the plaintiff's property. Following the plaintiff's lodging of a complaint with the local court, the defendant and his son erected a fence 47 feet long and 8.5 feet high on the separation line between the two lands. Because the plaintiff's house was built near the separation line, he was deprived of air, sun and light as a consequence of the addition of the fence. When the construction was completed, the defendant hoisted a flag at the top. In court, the defendant argued that the wall had been erected in order to keep his animals on his own property and avoid causing damage to the plaintiff. The Court did not believe him and found that the real reason for the erection of the

\(^{13}\) J. Cueto-Rua, supra note 11, A. Mayrand, "Abuse of Rights in France and Québec" (1974) 34 La.L.Rev. 993.

\(^{14}\) Req. Aug. 3, 1915, D. 1917.1.79; Trib. Compiègne, Feb. 19, 1913, D. 1913.2.177 [hereinafter Clément-Bayard]. For a Québec case with similar facts, see Air-Rimouski Ltée v. Gagnon [1952] C.S. 149 (The former director of an airport abused his right of ownership by placing poles on his property with the intention to disrupt operations at the neighbouring airport.).

\(^{15}\) See also Doerr v. Keller, Colmar, May 2, 1855, D. 1856.2.9 (stating that the right of the landowner to use his property as he likes is limited to the satisfaction of a serious and legitimate interest, and will not justify malicious acts which are not useful to the landowner and cause harm to the neighbours. In that case, the defendant had built his chimney just at the right angle to block the sunlight coming in his neighbour's window.).

\(^{16}\) Brodeur v. Choinière, supra note 4.
fence was a malicious intent to harm the plaintiff and to "gratify his aversion to him". Therefore, the defendant was found to have made an abusive use of his right of ownership:

Les tribunaux ne peuvent encourager ni sanctionner des actes dommageables de cette nature. Sans doute, il est de principe et de doctrine que le propriétaire d'un immeuble peut faire de son bien ce que bon lui semble, s'il n'est pas assujetti à quelque servitude en faveur d'un fond voisin; il peut le modifier, le dégrader, l'endommager; sa liberté d'y ériger les travaux qu'il juge à propos de faire est absolue; il n'est limité que par l'abus de son droit de propriétaire exercé dans l'intention malicieuse de nuire à autrui sans utilité pour lui-même ou sans motif sérieux.17

b) Contractual Rights

In France, the possibility that a right granted by a contractual agreement might be abused has long been recognized by the courts. The case of Lebaune v. Ménard18 is a good example of such application of the doctrine of abuse of rights. The defendant Lebaune had rented an apartment in Dijon from the plaintiff Ménard. The lease was for a period of one year, renewable by tacit agreement. The lease stipulated that if one of the parties wanted to end the lease, he had to give notice to the other at least three months before the expiration of the current renting year. When his employer transferred Lebaune to Valence, Lebaune asked Ménard if he could vacate the apartment on July 15. Ménard refused, on the basis that the lease only expired on May 15 the next year, and asked a court to order Lebaune to pay for the ten months left in the lease. The court in this case granted Ménard the order, ignoring Lebaune's defence that Ménard had abused his contractual rights. The court said that although Ménard's behaviour inspired criticism, because the only consequence of his refusal was to leave an apartment vacant for 10 months, there was nothing in the law preventing him from exercising a right that was clearly granted to him by contract. The Court of Cassation reversed the opinion of the lower court by stating that it had committed a mistake by not taking into account that Ménard's behaviour was probably only inspired by his desire to harm Lebaune.19

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17 Ibid. at 335-336. Free English translation: Courts cannot encourage or sanction harmful acts of this nature. It is a matter of principle and doctrine that the landowner can do whatever he wants with his property, if the land is not subject to some servitude in favour of a neighbouring land; he can modify it, deface it, damage it; his freedom to erect works that he judges appropriate on it is absolute; he is only limited by the abuse of his right of ownership exercised with the malicious intent to harm another person without benefit for himself or without serious motives.


19 Ibid. at 608. See also Association "Hôpital Marie Lannelongue" v. Barde et Guérin, Civ. 3e, 5 June 1968, D. 1970, 453. In that case, the contract between the owner and the general contractor stipulated that the former could change the original plans during the construction. That is what happened, but the changes caused important delays resulting in damages for the contractor. The contractor sued the owner to be compensated for its economic loss.
In 1990, the Supreme Court of Canada, in *Houle v. Canadian National Bank*\(^\text{20}\), confirmed that the theory of abuse of contractual rights was part of Québec civil law.\(^\text{21}\) In this case, the Houles, a family of entrepreneurs, had done business with the defendant Bank for many years. The Houles were the shareholders of a company that had been granted a $700,000 rotating line of credit by the Bank. In 1973, the Houles were in the process of negotiating a transaction to sell their shares in their company for $1,000,000. The Bank was aware of these negotiations. Soon after, the Houles asked the bank to increase the company's rotating line of credit to $900,000. The Bank then hired an accounting firm to study the financial situation of the company. Following the report, the Bank decided to call in the loan and to realise the guarantees if the plaintiffs did not increase by $100,000 their investment in the business. After only an hour, no agreement had been reached, and the Bank immediately took possession of the company's assets. Two hours later, all the assets were liquidated. Weeks later, the Houles sold their shares for $300,000, and then sued the Bank for $700,000, claiming that their loss was due to the Bank's abusive conduct. The Superior Court and the Court of Appeal both found that the Bank was at fault for not having given the plaintiffs enough time to meet its demand for payment. The Supreme Court rejected the Bank's appeal, stating that although the Bank had the contractual right to call in the loan, the circumstances of the realisation of the guaranties were abusive:

The bank acted, in my view, in a sudden, impulsive, and harmful manner, particularly considering that there was never any warning that the bank was concerned about its loan. The effect of the bank's decision was the termination of over fifty years of business in three hours. With a low risk of losing money or security, at least in the short term, one is at a loss to understand why the bank did not at least wait until the negotiations had been completed with Weddel Ltd. [the company interested in the shares] before exercising its securities. The record is silent on this. Therefore, I find there was a flagrant abuse of the bank's contractual right to realise its securities after the demand for payment of its loans was not met.\(^\text{22}\)

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The Court said that although the defendant had exercised its contractual rights by changing the original plans, it had been done in an incoherent manner, causing many long work interruptions, and that the owner had not shown the care of a prudent administrator.

\(^{20}\) [1990] 3 S.C.R. 122 (S.C.C.) [hereinafter *Houle v. CNB*].


\(^{22}\) *Houle v. CNB*, *ibid.* at 176.
These are only a few applications of the doctrine. The civil law courts are generally open to refuse to enforce a right that is used with the primary intent of harming another person rather than benefiting the holder of the right, or when the means of achieving a legitimate purpose are unreasonable and unfair. The outcome of their decisions is generally consistent with previous cases. However, to reach these results, a variety of criteria are applied, rendering the scope of the theory of abuse of rights uncertain.

3. Interpretations
There is a great deal of discussion as to what is covered by the doctrine of abuse of rights. It is difficult to identify clear and precise concepts embodying the doctrine. However, from the analysis of the major cases, as well as the literature, it is possible to identify some general trends. Julio Cueto-Rua identifies four “categories” of abusive uses of a right: (a) the exercise of a right with the intent to harm; (b) the exercise of a right against bonos mores (good customs), or moral rules, or good faith; (c) the exercise of a right without a legitimate and serious interest; and (d) the exercise of a right contrary to the aims on account of which said right or power was conferred. Although other authors use other classifications for the different ways in which a right can be abused, they all more or less identify the same key elements. Therefore, Cueto-Rua’s classification will be used in this chapter.

a) The Exercise of a Right with the Intent to Harm
The first interpretation corresponds to an earlier interpretation of the concept of abuse of rights. In this hypothesis, the right holder exercises it without real benefit for himself, and for the only purpose of harming the third party and causing him damage. Malice is a necessary element of this approach to abuse of rights. A good example is the case of Brodeur v. Choinière. This first approach is qualified as narrow, or restrictive, because it is limited to cases where the

23 J. Cueto-Rua, supra note 11 at 985.
24 Ibid.
25 Ibid. at 996.
26 Ibid. at 992.
27 Ibid. at 1000.
29 A. Mayrand, supra note 13 at 994.
subjective intent to harm is proven. On the other hand, the mere intent to cause harm is insufficient to justify liability. In effect, the intent to harm is inherent to the exercise of a lot of rights that are connected to activities which are deemed beneficial for the community: literary critique, associations of consumers, right to go on strike, etc. Malice as a criterion of abuse may be appropriate in the case of the right of ownership of real property, which was originally the only possible application of the doctrine of abuse of rights. However, when concerned with different circumstances, the intent to harm must often be accompanied by other elements of "abnormality" in order to create liability, or in order for a judge to refuse to enforce the right in question.

Sometimes, the intent to harm is mixed with one or more other motivations. One of the difficulties of applying the first criterion arises when the other motivation is legitimate, such as speculation. Such circumstance was present in Clément-Bayar, where the defendant's intent to injure his neighbour had profit as its ultimate objective. When faced with mixed motivations, the courts will have to determine which motive was the most important:

In most civil law jurisdictions where the doctrine of abuse of rights has been accepted, the mere fact that there was a mixture of motives or purposes will not be sufficient to justify an act if its dominant feature was the intent to harm, or if the loss was deliberately caused by the exercise of the right, or if the malicious or harmful purpose pervaded the whole exercise or use of the right.

This possibility that the intent to harm be mixed with other motivations causes procedural problems with the application of this interpretation of the doctrine of abuse of rights. The notion of intent requires an analysis of the defendant's psychology. In a case of mixed motivations, it requires not only to find the intent of the person who exercised the right in a harmful manner, but also to investigate the relative weight of each motivation in that person's mind. Not surprisingly, therefore, it is rare to find cases where only malicious intent was the reason to find

30 Brodeur v. Choinière, supra note 4.
31 A. Mayrand, supra note 13 at 994.
32 J. Karila de Van, supra note 28 at 537-539 (arguing the a certain form of harm is, and must be, tolerated).
33 A. Mayrand, supra note 13 at 994.
34 Juliana Karila de Van suggests that what is abusive depends on the right under analysis. For some right, the intent to harm will be sufficient. In other cases, it is the gravity of the harm that will determine the existence of an abuse. In other circumstances, it is the absence of a legitimate motive (J. Karila de Van, supra note 28 at 542).
35 Clément-Bayard, supra note 14.
36 J. Cueto-Rua, supra note 11 at 990 [footnote omitted].
the defendant liable. Usually, the court will also find some more "tangible" indication of abuse, such as the absence of legitimate interest in the exercise of the right.37

b) The Exercise of a Right in Bad Faith or Against Moral Rules
The second interpretation is described as being the refusal to protect or enforce the exercise of a right that "runs against some acknowledged general or accepted principles of good faith, or of positive morality, or a widely recognized criterion of elementary fairness".38 Cueto-Rua notes that the courts have applied this criterion with care, making sure that the "general principles of good faith" are truly widely accepted and understood, so that the discretion of the judge is circumscribed.39

c) The Exercise of a Right in the Absence of Legitimate or Serious Interest
The third interpretation, the exercise of a right without any legitimate and serious interest, can be said to embrace a wider range of activities. Indeed, one can consider that the first application of the doctrine (the intent to harm) is included in the third definition (the intent to harm is not a serious and legitimate interest). It also leaves room for a finding of abuse, without evidence of malice, where the exercise of a right is unreasonable according to the "average reasonable person" criterion. For procedural purposes, this approach has the advantage of not having to go through the process of proving a subjective intent to harm. However, this interpretation is not without its problems, as discussed below.

d) The Exercise of a Right Contrary to Its Social Aim
In the fourth hypothesis, the right holder exercises his or her right in an illegitimate and antisocial manner. This exercise of the right is inconsistent with its natural purpose or its social aim or objective. This interpretation of the theory of abuse of rights was developed in France by Louis Josserand. According to Josserand, no right is absolute and all rights are relative: rights are conferred by legislators with certain specific aims in mind. These rights are meant to achieve certain social objectives, and are to be recognized and enforced only to the extent to which the exercise of the right is compatible with the social functions it had to perform.40

37 Ibid. at 988-990.
38 Ibid. at 996.
39 Ibid. at 999.
The problem with this interpretation of the notion of abuse of rights is that the "natural purpose", or "social objective" of a given right is not always readily identifiable. If this approach is chosen, the judge is empowered with the ability to decide a posteriori of an objective deemed to have existed a priori, injecting a dose of apparent uncertainty in the law. Such criterion leaves a lot of discretion to the judge to decide what is the social purpose of the right, discretion that the civil law does not traditionally grant to judges. Moreover, if the intent of the legislator at the moment of granting the right is identifiable, one right may have come to serve different purposes than the declared one.

The element of legitimacy in the third interpretation (absence of legitimate interest) is certainly linked to Josserand's idea of identifying the social purpose of the right. Indeed, the notion of legitimacy has a lot to do with what is desirable in a society, and with the social purpose of the right. Some authors consider the exercise of a right without a serious and legitimate interest and the exercise of a right in a manner that is contrary to its intended purpose as part of the same "family". This link between the two criteria makes sense if we consider that both relate to the more objective criteria of "how a reasonable person would exercise the right", assuming that the legislator is included in that hypothetical concept of "reasonable person". However, when we turn to evidence and procedural concerns, the two criteria differ in that in applying one of them, the judge has to ask himself 1) what is the social purpose of the granting of the right in question? and 2) is the manner in which the defendant exercised his right consistent with that aim? In applying the other, he has to find out 1) what interest was served by the defendant's exercise of his right? and 2) was this interest legitimate or serious, according to the objective "reasonable person" standard?

The theory of abuse of rights in France today seems to follow the tests of "intent to harm" and "lack of serious and legitimate interest". Québec has adopted a similar approach.

41 Flour & Aubert, supra note 28 at 120.
42 See Baudouin & Deslauriers, supra note 3 at 122, J. Voyame, B. Cottier & B. Rocha, supra note 11 at 33, J. Karila de Van, supra note 28 at 542.
43 J. Cueto-Rua, supra note 11 at 1003, J. Voyame, B. Cottier & B. Rocha, ibid. at 32.
44 Baudouin & Deslauriers, supra note 3 at 127.
4. Codification

The Civil Code of Québec explicitly prohibits the abuse of rights, in one or more of its accepted forms. It contains the following provisions, which did not exist in the previous version of the Code:

6. Every person is bound to exercise his civil rights in good faith.

7. No right may be exercised with the intent of injuring another or in an excessive and unreasonable manner which is contrary to the requirements of good faith.

It is clear from the reading of these articles that the legislator has adopted the prohibition to exercise one's rights with the intent to harm another person, but also the prohibition to exercise a right in an excessive and unreasonable manner, i.e. without a legitimate interest or contrary to good custom or good faith. Baudouin & Deslauriers are of the view that the enactment of articles 6 and 7 constitutes a rejection of Josserand's interpretation of the theory of abuse of rights.45

The Civil Code of Québec also contains more specific applications of the doctrine. In the section on ownership, article 976 reads:

976. Neighbours shall suffer the normal neighbourhood annoyances that are not beyond the limit of tolerance they owe each other, according to the nature or location of their land or local custom.

In adopting article 976, the legislator has gone further than just providing a specific application of the theory of abuse of rights contained in articles 6 and 7. Here the intent to harm, or the unreasonable manner in which the right is exercised, are not the relevant elements of the cause of action. Rather, it prohibits the exercise of a right in an antisocial manner, beyond the limits of tolerance. There is no need to prove fault. It is really a no-fault regime.46 Article 976 adds to the causes of actions for abuse of rights, because it does not oblige the plaintiff to prove that the defendant's behaviour constituted a fault. However, as one author has noted, the jurisprudence has not yet adopted this solution.47

46 Ibid. at 134, para. 193.
In the section on contracts, article 1375 reads:

1375. The parties shall conduct themselves in good faith both at the time the obligation is created and at the time it is performed or extinguished.

Article 1375 is meant to prevent situations like the one that occurred in *Houle v. CNB*[^48], and embraces the second interpretation of the doctrine of abuse of rights, the exercise of a right in bad faith or against established standards of morality.

In France, the general obligation to act in good faith in the exercise of one's civil rights has not been expressly codified, nor has the prohibition to abuse one's rights.[^49] The courts rely on the general provision on extra-contractual liability[^50] to oblige the ones who abuse their rights to either stop, compensate their "victim", or both. When concerned with contractual rights, however, the obligation to act in good faith is codified in article 1134:

**Art. 1134.** *Les conventions légalement formées tiennent lieu de loi à ceux qui les ont faites.*

*Elles ne peuvent être révoquées que de leur consentement mutuel, ou pour les causes que la loi autorise.*

*Elles doivent être exécutées de bonne foi.*[^51]

When concerned with ownership article 544 of the *French Civil Code* seems to limit the possibility of being found liable to situations where positive law has been violated:

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[^48]: *Houle v. CNB*, supra note 20.

[^49]: According to a document of the Council of Europe published in 1990, only France, Belgium and the Netherlands did not codify the doctrine of abuse of rights (*J. Voyume, B. Cottier & B. Rocha, supra note 11* at 24). Now the Netherlands have done so. Their provision, effective as of January 1, 1992 and perhaps the most complete codification of the doctrine, reads:

1. The holder of a right may not exercise it to the extent that it is abused.

2. Instances of abuse of rights are the exercise of a right with the sole intention of harming another or for the purpose other than for which it was granted; or the exercise of a right where its holder could not reasonably have decided to exercise it, given the disproportion between the interest to exercise the right and the harm caused thereby.

3. The nature of the right can be such that it cannot be abused.


[^50]: *French Civil Code*, art. 1382.

[^51]: Free English translation: Legally formed contracts are the law of the parties. They can only be revoked if all the parties consent, or for the causes authorized by law. They ought to be executed in good faith.
However, as observed previously, the apparently absolute nature of the right of ownership does not preclude the courts from prohibiting the types of conduct they consider abusive.53

We have seen that the doctrine of abuse of rights has many applications. Some abusive practices have been expressly prohibited by law and thus have become illicit: wrongful dismissal, abusive clauses in a consumer contract54, etc. Some other practices are qualified as "abuse of right" by courts, after the fact. Is there a parallel to draw between the different applications of the doctrine of abuse of rights and the "cybersquatting" phenomenon? The UDRP and the WIPO Report already contain a vocabulary that is familiar to the theory of abuse of rights: "abusive registration and use of a domain name", "bad faith", "no legitimate interest", "primarily for the purpose of disrupting the business of a competitor", etc. It is almost surprising that neither the WIPO Report nor any other pre-UDRP document contains references to the doctrine of abuse of rights. The following section is an attempt to explore the "cybersquatting" phenomenon in the light of the theory of abuse of rights.

B- The Applicability of the Doctrine of Abuse of Rights to the DNS

The contours of the doctrine of abuse of rights are not clear. Therefore, there is room for a diversity of attitudes towards the matter, which may be detrimental to a peaceful exercise of justice. In the case of the UDRP, that diversity could be made worse by the multiplicity of national origins and professional backgrounds of the panelists in charge of resolving domain name/trademark disputes. It is therefore important to define with as much precision as possible the conditions of application of the doctrine, as well as the remedies available to the "victims" of abuse of rights. In this section, the following elements will be examined: (1) the nature of the right of the general public to register a domain name and the right resulting from the registration of a domain name; (2) what constitutes an abusive exercise of that right; (3) what degree of harm is sufficient for a remedy to be available to the complainant; and (4) what remedy should be available.

52 Free English translation: Ownership is the right to use and dispose of the things in the most absolute manner, as long as it is not used in a manner that is prohibited by the laws or regulations.

1. The Right

À notre avis, au sens classique du terme du moins, on ne peut parler d'abus de droit, en dehors de l'exercice d'un droit subjectif, c'est-à-dire d'un droit défini, comme le droit de propriété par exemple.55

The Internet is an intangible international space. Its rapid growth has taken almost everybody, including governments, by surprise. In cyberspace, there is no general code defining the civil rights of the Internet population. The courts have not been very helpful in defining the legal relationship between a domain name holder and a domain name. Scholars and legal critics have expressed different opinions on this issue. Some have expressed the view that the domain name system should establish “clear ownership rights to a domain name”.56 Others have called for the recognition of domain names’ expressive function.57 It is not possible to clearly identify a “subjective” right in a domain name. Are domain names “properties”?58 If so, who owns them? Is it the registrar or the registrant? Is the right in a domain name comparable to a licence or a lease? Is it comparable to the right in an address or a phone number? There are no agreed upon answers to these questions.59

54 E.g. CCQ art. 1437.
55 Baudouin & Deslauriers, supra note 3 at 120 [emphasis added]. Free English translation: In our view, at least in the classical sense of the term, one cannot speak of abuse of a right outside of the exercise of a subjective right, i.e. of a defined right, like the right of ownership.

For a good explanation on the distinction between rights and privileges, I refer the reader to W.N. Hohfeld, “Some Fundamental Legal Conceptions as Applied in Judicial Reasoning” (1913) 23 Yale L. J. 16. In his article, Hohfeld distinguishes between rights in the strict sense of the term, which he calls “claims”, and other rights, which he calls “liberties” or “privileges”. According to him:

[I]f further evidence be needed as to the fundamental and important difference between a right (or claim) and a privilege, surely it is found in the fact that the correlative of the latter relation is a “no-right”, there being no single term available to express the latter conception. Thus, the correlative of X’s right that Y shall not enter on the land is Y’s duty not to enter; but the correlative of X’s privilege of entering himself is manifestly Y’s “no-right” that X shall not enter (ibid. at 33).

When they talk about “subjective rights”, Baudouin & Deslauriers are talking about rights in the narrow sense, “claims” in Hohfeld’s vocabulary.
58 See D.H. Dolkas & S.T. Menser, “Is A Domain Name “Property”?, <http://www.gcwf.com/articles/interest/interest_42.html> (finding that the recent cases “either support of expressly find the a domain name is not tangible real property” but that the Anti-Cybersquating Consumer Protection Act [ACPA], in authorising in rem proceeding against domain names, might constitute an exception to the rule).
59 For a more detailed discussion on attempted analogies between domain names and other things, see C. Oppedahl, “Remedies in Domain Name Lawsuits: How is a Domain Name Like a Cow?” (1997) 15 J. Marshall J.
The WIPO’s definition of “cybersquatting”, which I have been using in this document, concerns both the registration and the use of a domain name. In these circumstances, it is important to consider the right of the public in general to the registration and use of a domain name, rather than only the right in a domain name once registered. Trademark owners are granted a limited area of exclusive use of their trademark. Generally, it is limited to the use of the trademark in association with, and so as to distinguish a specific category of goods and services. If the trademark is famous, the area of exclusive use is augmented, but is still limited to the trade world. Hence, if we flip the coin and consider the remaining possible legal uses of the mark, the general public is free to make any use of it, as long as it does not interfere with the statutory or common law rights of the trademark owner. This remaining “zone of legality” includes the use of the mark as the title of a book, in graffiti, in spoken conversations, parody, etc., including the use in a domain name that is not also a mark or a trade name. For the purpose of the present exercise, the right that may eventually be abused will be defined as the right to register and use a domain name incorporating a trademark, if it is in a non-infringing way.60 61


60 For the purpose of this discussion, I will consider the expression “trademark infringement” as including passing off and dilution, but as they are traditionally understood in Canada and in the United States. I refer the reader to chapters I and II for more details. I acknowledge the difficulty of applying such a criteria, because some countries may have a different approach to trademark law. This situation calls for a clear definition of what an infringement through the use of a domain name is, and this task in beyond the scope of this thesis.

61 The abuse of right in a domain name context should probably be understood more as an abuse of liberty. According to the French authors Flour & Aubert, we should not talk about an abuse of rights when dealing with those rights which are recognized for every individual: the right to “come and go”, the right to adopt a lifestyle, etc., because they are in fact liberties. An abuse of these liberties is not an abuse of rights but a fault:

(…) [Il] n’y a problème qu’autant que l’auteur du dommage a exercé un droit nettement défini: un droit subjectif, tel que le droit de propriété ou un droit de créance. L’expression est impropre si on l’applique aux droits généraux, reconnus à tout homme en tant que tel: droit d’aller et venir, d’adopter tel mode de vie (personnel, familial, professionnel)... À parler exactement, ce ne sont pas là des droits, mais des libertés qui, dans leur exercice, doivent être conciliées avec celles des autres. La méconnaissance de cette nécessaire conciliation est constitutive d’une faute, au sens où cette notion a été précédemment définie. Il est inutile- et inexact- de parler à ce propos d’abus. [footnotes omitted].

(Flour & Aubert, supra note 28 at 118).

The line is not easy to draw between a “right”, or “claim”, and a “liberty”, or “privilege”. However, it is generally admitted that the “right” is guaranteed by the law, which obliges its respect by third parties, and that a judge can be asked to enforce it. On the other hand, it will usually not be possible to refer the matter to the court in the case of the violation of a “liberty” (see generally Hohfeld, supra note 55).

We can already see that the strict application of the doctrine of abuse of rights to domain name/trademark disputes is impossible, due to the nature of the right we are looking at, which is in fact a “liberty”, or “privilege”. However, this “liberty” can be reformulated into a right: the right to not be restrained from making a non-trademark or non-commercial use of a trademark. Such “right” cannot be “claimed” before a court, but it is generally accepted that
2. The Abuse

What constitutes abuse depends on the nature of the right in question. In light of this general statement, it is appropriate at this stage to define what category of behaviour, in the context of a domain name/trademark dispute, should be considered abusive.

Of the four interpretations of the term “abuse” identified by Julio Cueto-Rua, the first three seem familiar to the domain name/trademark disputes. In fact, the actual ICANN Policy contains provisions that are notably similar to the formulations adopted by the civil law courts. The fourth approach to the theory of abuse of rights, introduced by Louis Josserand, was criticized because of the difficulty of identifying the “aims on account of which said right or power was conferred” in many circumstances. This difficulty is certainly present when considering domain names. It is difficult to ask an administrative body to determine the social function of the right in a domain name when no other authority has done so before. As observed in cases like Rollerblade, the panels, in referring to the social function of domain names, tend to confuse the domain name registration system with the trademark registration system. This is a convenient way of resolving disputes, but it is inadequate and unfair. The problem with the domain name system and the way the Internet has evolved, without much regulation, is that it might be impossible to identify the social function(s) of a domain name.

It could be argued that the social functions of a domain name are identified in paragraph 4(c) of the existing ICANN Policy: the identification of a person or of an already existing business or organization, the bona fide offering of goods or services, the legitimate non-commercial or

courts and legislators are under a general duty not to unduly interfere with it (see Hohfeld, ibid. at 36ff). If we use Hohfeld’s example of note 55, supra, and replace X and Y by “trademark owner” and “third party”, we have this situation:

Thus, the correlative of [trademark owner]’s right that [third party] shall not enter [the area of exclusive use] is [third party]’s duty not to enter; but the correlative of [third party]’s privilege of entering [the area of non-exclusive use] is manifestly [trademark owner]’s “no-right” that [third party] shall not enter.

In order to carry the analysis further, it will be assumed that the right to the use of a trademark in a domain name, if the use does not constitute infringement, i.e. the privilege of entering the non-exclusive zone, can be subject to the application of the doctrine of abuse of rights.

62 J. Karila de Van, supra note 28 at 542.
63 Rollerblade, Inc. v. Chris McCrady, WIPO, Case No. D2000-0429.
64 Uniform Domain Name Dispute Resolution Policy, <http://www.icann.org/udrp/udrp-policy-24oct99.htm>, subpara. 4(c)(i) [hereinafter “UDRP” or “ICANN Policy”].
65 Ibid., subpara. 4(c)(ii).
fair use of a trademark or of a confusingly similar word, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark at issue.66 This argument poses some problems, especially when it comes to defining what a legitimate non-commercial purpose is. Defining what is legitimate using the word “legitimate” is like saying that what is good is what is good. The vagueness of some paragraphs of the ICANN Policy leaves too much space for the arbitrary.

None of the approaches to the doctrine of abuse of rights identified above could, by itself, serve as a rationale for determining if a domain name has been abusively registered and used. The existence of an intent to harm (the first interpretation) is hard to determine, especially if the parties are not in presence of the deciding body, like in the application of the UDRP. Also, some legitimate activities that take place on the Internet are performed with an intent to harm. Unsatisfied consumers calling for the boycott of a business, using a domain name incorporating a trademark of the business in question is a good example. We do not want these activities to be prohibited. As of the second interpretation of the concept of abuse, the exercise of a right in bad faith and against “moral rules”, it cannot stand for itself. A lot of activities performed in bad faith are not prohibited67, and it should be the same with domain name registrations. A state of mind does not hurt anybody. It is how this state of mind is translated into actions that matters. Therefore, some more elements of “abnormality” are required. Moreover, “bad faith” is a concept subject to a wide range of interpretations. As discussed in Chapter IV68, the interpretations given to the “bad faith” criterion by UDRP panels seem to be tinted with a trademark interest colour. To say that a panel can rely on the concept of accepted “moral rules” to guide its decision would not resolve the problem because Internet is still so new that such “moral rules” are being defined at this particular moment. To say that relying on them would help determine if bad faith is present is, in these circumstances, not convincing. As to the third interpretation of “abuse”, the exercise of a right without a legitimate or serious interest, it attracts the same type of reservations as the second interpretation, because of the subjectivity in the idea of “legitimacy”.

66 Ibid., subpara. 4(c)(iii).
67 See example in Chap. IV, section B-3, above.
68 See Chapter IV, section A-2.a), above.
The fact that none of the definitions of “abuse” are readily applicable to domain name/trademark disputes does not mean that the doctrine of abuse of right is not suitable for a UDRP-like dispute resolution mechanism. But a consideration of all the relevant facts, in light of these interpretations, is preferable to a strict application of one of them. However, the deciding body has to keep in mind that the doctrine of abuse of right is based on the belief that a person has a *prima facie* right to register any domain name he or she wants, as long as existing trademark laws are not violated.69 This means that the complainant has the burden of proving that the right has been abused. In a document published by the Council of Europe, it is acknowledged that the doctrine of abuse of rights has been applied carefully, in order not to create a situation that would amount to an abuse of the theory of abuse of rights, and be destructive of the liberty of the individual. The following passage is of particular relevance here:

Not just any wrongful act could justify intervention by the court; in other words, an abuse as such is not sufficient. Both the legal writers and the courts agree on this point in all those countries which recognise abuse of rights as an offence (...).

This virtual unanimity reveals the extent to which the European jurists are aware of the exceptional nature of the prohibition of abuse of rights. This institution remains a “last resort”, to be used only if the exercise of the alleged right creates a glaring injustice, but never in cases where it merely offends the principles of equity.70

This is consistent with what the *WIPO Report* was suggesting: that the UDRP should only apply to the “most egregious cases”.71 The present application of the ICANN Policy, however, does not quite satisfy this objective. Therefore, the discretion panels have to take into account all the factors they consider relevant needs to be circumscribed. Following is a list of suggested criteria that should be taken into account by UDRP panels, in order to determine if there is abuse, but also to determine if such abuse is sufficiently “egregious” to deserve attention. These criteria

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69 See section B-2., above.


It is considered that concerns about the mandatory nature of the procedure can be greatly alleviated, if not removed entirely, by confining the scope of the procedure to abusive registrations or cybersquatting (...). Since the procedure would apply only to *egregious examples of deliberate violation of well-established rights*, the danger of innocent domain name applicants acting in good faith being exposed to the expenditure of human and financial resources through being required to participate in the procedure is removed. [emphasis added].
should be particularly useful where, like in many cases, the respondent does not file a response\textsuperscript{72} and/or has not made an active use of the domain name.

**Is the Respondent a Competitor?**

If the respondent is a competitor of the plaintiff, the registration of a domain name that incorporates the plaintiff's mark or a similar word is more likely to have been registered in bad faith and/or with the intent to harm.

**Is the Domain Name a <.com>?**

The top-level <.com> has a commercial connotation in the mind of the public, and is often the first to be typed when the method of guessing a domain name is used. A domain name registrant who is not using the domain name for commercial purposes may have a legitimate interest in registering someone else's trademark, but not necessarily in the <.com> top-level.

**Does the Domain Name Incorporate a Generic Word?**

If the domain name is generic, there should be a strong presumption that the domain name holder has a legitimate interest in the domain name, because every person is entitled to use words. Even if the word qualifies as a trademark because it has acquired a secondary meaning when used by the complainant to identify a specific category of goods or services, this privilege does not automatically extend to the domain name system, because not all domain names are marks. When the word is generic, the burden to prove that other elements of abuse are present, apart from the absence of legitimate interest in the domain name, should be on the complainant's

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\textsuperscript{72} The ICANN Rules for Uniform Domain Name Dispute Resolution Policy, as approved October 24, 1999, \url{http://www.icann.org/udrp/udrp-rules-24oct99.htm} contain a provision allowing a panel to draw inferences from the respondent's failure to file a response to the complaint against him or her:

14. Default

... (b) If a Party, in the absence of exceptional circumstances, does not comply with any provision of, or requirement under, these Rules or any request from the Panel, the Panel shall draw such inferences therefrom as it considers appropriate.

It is my opinion that the inference that the respondent is in bad faith or does not have a legitimate interest in the domain name should not always be drawn. Indeed, some domain name holders may have reasons other than bad faith in the ICANN Policy sense to not participate in the process. Privacy can be a reason, as well as tax purposes. We ought not forget that even if a domain name holder agrees to be bound by the ICANN Policy and the ICANN Rules, he or she did not have a choice if he or she wanted a <.com>, <.net> or <.org> domain name.
shoulders. For instance, the complainant should have to prove the respondent’s intent to harm, or that the use of the domain name is unreasonable.  

**Does the Domain Name Convey a Meaning, Independently of the Content of the Website?**

Domain names such as <trademarksucks.com>, in addition to the fact that they can hardly be confused with the real trademark, are a form of expression. They have a meaning independently from the content of a website, if there is any associated with the domain name. Such expression can be harmful to the owner of the trademark to which the pejorative word “sucks” is attached, but this is a type of harm that should be tolerated, just like the publication of a book entitled “Trademark Sucks”.

**How Many Domain Names Incorporating the Plaintiff’s Trademark Did the Respondent Register?**

The intent to harm, or an absence of legitimate interest, is easier to infer from the registration of many domain names that are variations of the same trademark than from the registration of a single domain name. Also, the registration of a substantial number of similar domain names is more antisocial than the registration of one, since it may not only harm the trademark owner, but also deprive the general public of the possibility of registering these domain names.

**3. The Damage**

In civil law, the doctrine of abuse of rights is linked to what it is meant to prevent: the unnecessary harm to another person.

The relevant article of the French Civil Code reads:

*Art. 1382* Tout fait quelconque de l'homme, qui cause à autrui un dommage, oblige celui par la faute duquel il est arrivé, à le réparer.  

In Québec, it reads:

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73 The same reasoning could apply to trademarks that are used in the everyday language and that can be said to have become generic. Trademarks such as KLEENEX and THERMOS fall in that category.
74 Free English translation (from J. Cueto-Rua, *supra* note 11 at 966, n. 3): Every act of man whatsoever which causes damage to another, binds him through whose fault it happened, to redress thereof.
Every person has a duty to abide by the rules of conduct which lie upon him, according to the circumstances, usage or law, so as not to cause injury to another.

Where he is endowed with reason and fails in his duty, he is responsible for any injury he causes to another person and is liable to reparation for the injury, whether it be bodily, moral or material in nature.

Similarly, a domain name dispute resolution policy based on an abuse of rights rationale should require the complainant to give some evidence of the harm suffered, or likely to be suffered in the future, if the respondent continues to act as he or she does. In its present version, the UDRP seems to assume that there is harm suffered by the complainant if the complainant's mark is incorporated in a domain name. One of the underlying rationale for assuming that damage is suffered or is likely to be suffered is that Internet users may end up finding a website that they were not looking for, and choose to stay on that site, or simply get frustrated and give up searching for the first site. This is based on different common beliefs: that the primary method of searching the Internet is guessing, that Internet users are easily confused, that Internet users are easily distracted and not persevering, and that these factors are likely to be translated into loss of business, damage to the reputation, etc. However, as the Internet users presumably get more sophisticated as they gain experience, and as the search engines are getting more sophisticated, it is also reasonable to presume that situations of frustration or confusion in searching for a specific website, will occur less and less. Also, the argument could be made that if a trademark owner chooses to have a presence on the Internet, which most of them now do, it accepts to be the "victim" of the phenomenon of users getting diverted from searching for its site by "first interest confusion", or simply by the diversion that Internet offers generally, notwithstanding the existence of first interest confusion. It is to be noted that a trademark owner might as well benefit from the similarity of its trademark with someone else's domain name, if the user is initially looking for the second website and ends up on the trademark owner's site. This last remark is especially true for generic trademarks. For instance, it is very possible that an Internet user will type "roots" while searching for something else than the clothing store.

Another common reasoning in "cybersquatting" cases is that the defendant (or respondent), although he or she is not yet actively using the domain name in association with a website, will

certainly do so in a harmful way in the future.\textsuperscript{76} Although this might be true in some instances, it is a huge assumption to make. The advantage of having set up a relatively cheap and efficient method of resolving disputes related to domain names is that it allows the "victim" of "cybersquatting" to quickly react to the damaging activities of a third party. Allowing trademark owners to react before the actual damage has taken place, and even before the potentially damaging activity has started, is too powerful a weapon. More indications of imminent danger should be found before the trademark owner is allowed to react.

In some situations, however, the deciding body should be allowed to presume damage. If, for instance, the activities of the respondent have the true potential of preventing the complainant from having a reasonably obvious spot on the Internet, damage should be presumed. It is for this reason that the use of <.com> should be given more weight than the use of <.net> or <.org> in the determination of damage. Internet users guessing the domain name of a trademark owner are more likely to try <trademark.com> then <trademark.net> or <trademark.org>. Also, in cases where there is first interest confusion (as understood in trademark law\textsuperscript{77}) and a real possibility that the Internet users will choose to stay on the respondent's website, damage should be presumed.

On the other hand, some factors should weigh against the finding of damage or likelihood of damage. For instance, if a domain name has been registered for a certain time, and the trademark owner has not reacted before, it usually means that the domain name holder's activities are quite harmless. The reason for filing a complaint in such as case is rather that at some point, which can be months or even years after the registration of the domain name, the trademark owner, attempting to register the same domain name, finds out that it is already taken. This may cause great frustration, but if the trademark owner has not been aware of the existence of the domain name before, it is probably because it had little effect on its business or reputation.

Another relevant element to consider is whether the domain name in dispute incorporates the exact trademark, or a variation or misspelling of it. If the alleged "cybersquatter" has not

\textsuperscript{77} See Chapter I, section B-2.c), above.
registered the exact trademark, it is less likely that potential visitors to the official trademark's website who guess the domain name will end up at the respondent's website. Also, in such situation, the trademark owner cannot claim that the "cybersquatter" is depriving him of a useful domain name. This last reasoning also applies to "sucks" domain names.

4. The Remedy
In both France and Québec, a person found in violation of his or her contractual or extra-contractual obligations, or found to have abused his or her rights, is ordered to either stop harming the third party (by destroying an ugly and useless fence, for example), compensate the third party by paying damages, or a combination of these solutions.78 The idea is to compensate all the damage suffered, but only the damage suffered. In theory, the victim is not supposed to obtain more than what has been lost or suffered.79

In the context of the Internet, where the identity and/or location of the respondent is often impossible to determine, some of these remedies are not always enforceable, and an attempt to adapt “real world” solutions to the Internet would be a mistake. For instance, we cannot hope to be able to enforce an order to pay damages for an abuse of rights in a domain name. These difficulties, however, should not necessarily lead to the conclusion that the appropriate remedy is always the transfer of the domain name to the complainant.80 In many situations, obliging the alleged “cybersquatter” to provide a link to the complainant's website, or to post a disclaimer, would be sufficient. Again, such measures need to be enforced. One solution could be to give the respondent a short period to comply with the order from the administrative panel, and after that time, if the respondent has not complied with it, the domain name could be transferred or cancelled. This solution could be used if there is a doubt that the respondent might be in good faith, or where although the respondent does not have a legitimate interest in the domain name, the harm caused to him by the transfer or cancellation of the domain name would be greater than the harm he is causing to the complainant.81 Also, the availability of this less radical remedy

78 CCQ, art. 1590, French Civil Code, art. 1382, annotations 91 to 99.
79 J. Karila de Van, supra note 28 at 545.
80 Most of the UDRP cases decided in favour of the complainant have ordered the transfer of the domain name(s) to the complainant. Although the ICANN Policy also allows the panels to order the cancellation of the domain name, that option is not chosen very often. This makes sense because if a domain name is cancelled it returns to the pool of available domain names and is up for grabs by other "cybersquatters", rendering the whole exercise useless. 81 In Tata Sons Limited v. D & V Enterprises, WIPO, Case No. D2000-0479, for instance, the respondent was exploiting a website containing pornographic material, using the domain name <bodacious-tatas.com>. The panel, rightly or not, found that Internet users were likely to think that the porn site had somehow be approved by the
would allow panels, in “borderline” cases, to provide the parties with a solution that is more adequate than doing nothing or transferring the domain name. The availability of this form of remedy could benefit domain name registrants, but also trademark owners.82

There are cases where the complainant obviously does not want the domain name to use it for its official website, but rather to prevent others from using it and from “tarnishing” the reputation of the trademark. The “sucks” cases are the most obvious examples. In the hypothesis that an abuse is found (which should not happen very often), the fairest solution is not to transfer the domain name to the complainant, who then gets a bonus: on top of succeeding in having the specific use of the offensive domain name stopped, the domain name is given to the trademark owner so that no one will be able to make a legitimate use of the domain name in the future. This is comparable to, in a fence dispute, condemning the defendant not only to destroy the problematic fence, but also to give the construction material to the plaintiff.83 This would be over-compensating the plaintiff. Although the respondent may not personally care about the loss of the domain name, the Internet community as a whole is losing because a “good” domain name has been eliminated. After all, the trademark owner has no more prima facie legitimate interest in the domain name <trademarksucks.com> than any other Internet user. The only interest the trademark owner may have in controlling such domain name is eliminating the possibilities that a powerful and attractive domain name such as <trademarksucks.com> be used for criticising its goods, services, or practices. This type of interest is not more legitimate than domain name speculation.

complainant, a firm involved in the manufacturing of cars, chemicals and pharmaceuticals, home appliances, hardware tools, etc. In this case, the problem could have been resolved by obliging the respondent to post a disclaimer on its website.

82 In E.I. du Pont de Nemours and Company v. Avant-Garde Composition, WIPO, Case No D2000-0130, for instance, the respondent had registered domain names incorporating the complainant trademarks, and was using them to provide information about their company, which was somewhat related to the complainant’s business, but not at the same level in the market chain. The panel found that there was confusing similarity between the mark and the domain name. However, the panel was not convinced that the respondent has no right or legitimate interest in the domain name, since he was using the domain name for the bona fide offering of goods or services. Also, although it was proven that the respondent had offered to sell the domain name to the complainant for US $500,000, and that other facts weighed in favour of a finding of bad faith, a doubt remained in the panel’s mind as to whether the complainant’s trademark had become generic in France, the country where the parties were doing business. Therefore, the panel decided to rule in favour of the respondent. If it had been possible for the panel to oblige the respondent to put a disclaimer on its websites, he would probably have chosen this remedy.

83 In a trademark infringement case, the plaintiff does not get to keep the defendant’s goods. In a trademark registration opposition, the trademark registration opposed to is not transferred to the opponent.
The interest that the public might have in certain domain names, like generic domain names such as <crew.com>\textsuperscript{84} and <traditions.com>\textsuperscript{85} should also be taken into consideration in determining the appropriate remedy. Most of these cases should be resolved in favour of the domain name holder, because everybody has a right to use words.\textsuperscript{86} However, if abuse is found\textsuperscript{87}, the "genericness" of the domain name should be taken into account in balancing the interest of the public with the interest of the trademark owner.

In cases where the trademark owner already possesses the domain name <trademark.com>, or the most obvious domain name to have its official site, as well as in cases where the complainant could not reasonably use the domain name for its official site, the solution should not be the transfer of the domain name. Moreover, in cases where the aim of the trademark owner is not only to stop the harmful behaviour of the respondent, but also to eliminate the possibilities that the domain name be used for legitimate but harmful purposes such as criticism and parody, there is no reason why we should provide it with a cheap and efficient way of reaching its objective. If trademark owners want to control every potential instrument of freedom of expression, there is little we can do to prevent them from buying out domain name holders. But there is no reason why we should provide them with the means to achieve that objective.

There is an ultimate question that needs to be addressed, if we want this exercise to be meaningful. What is the significance of taking an abuse of rights approach to the trademark/domain name conflicts, rather than leaving the situation as it is?

\textbf{C- What Difference Does it Make to Look at the "Cybersquatting Problem" from an "Abuse of Rights" Perspective?}

The theory of abuse of rights has been the object of many interpretations, all of them more or less satisfactory and more or less readily applicable to domain name disputes. Therefore, the mere fact of pretending to apply an "abuse of right" doctrine should not create a revolution in

\begin{footnotesize}
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\item \textsuperscript{84} See \textit{J. Crew International, Inc. v. crew.com}, WIPO, Case No. D2000-0054 (domain name transferred).
\item \textsuperscript{85} See \textit{Traditions, Ltd. v. noname.com}, NAF, Case No. 0004000094388 (domain name transferred).
\item \textsuperscript{86} C. Oppedahl is of the view that the transfer of a domain name should only be granted where the trademark owner can prove that the mark is so coined and unique that nobody else can reasonably have a legitimate interest in the domain name. See C. Oppedahl, \textit{supra} note 59 at 458 and 461.
\item \textsuperscript{87} If the respondent has offered to sell the generic domain name to a competitor of the trademark owner, for instance.
\end{itemize}
\end{footnotesize}
the already existing domain name dispute resolution process. The impact of an abuse of rights perspective depends on what type of behaviour we want to consider abusive. Discussions as to how to define “cybersquatting” have taken place before and during the WIPO Process. A lot of members of the WIPO are civil law countries, and some of the drafters of the UDRP are probably familiar with the concept of abuse of rights. Therefore, it is possible to argue that the ICANN Policy is already an application of the doctrine of abuse of rights. However, the *WIPO Report* and other preparatory documents do not contain the expression “abuse of rights”, and the nature of the right (or “liberty”) of the public to register any domain name are never discussed. Yet, the *WIPO Report* talks of “cybersquatting” as “the abusive registration and use of a domain name”.

Clearly taking an abuse of rights approach could help reducing the number of bad decisions by helping the deciding bodies to switch their focus from a trademark law-type analysis to a more neutral framework, that is, a framework that does not unfairly favour trademark owners. As the cases become harder to decide\(^\text{88}\), a more defined set of principles might help panels to render better decisions. By focusing on the fact that because of this general freedom of registering any domain name that is not infringing a trademark, the domain name holder has a *prima facie* right in the domain name, we might avoid this type of decisions where the panel seems to have been too “complainant-friendly”.

In civil law, there is a general presumption of good faith that ought to be given weight in a Policy based on the idea of abuse of rights. As observed in Chapters III and IV, a lot of UDRP panels seem to read the ICANN Policy as if, as soon as identity or confusing similarity between the domain name and the trademark is shown, the burden had to be switched to the respondent. An abuse of rights approach would make it clear that as long as the domain name is not infringing upon any of the rights recognized to trademark owners by law, the domain name registrant does not have to justify his or her use (or non-use) of a domain name. The difference

\(^{88}\) Many reasons explain this fact. Among them is the fact that the most obvious cases of “cybersquatting” (e.g. a person registers ten different domain names incorporating the same trademark and offers them for sale to the trademark owner or a direct competitor) have been resolved in the first months of the implementation of the ICANN Policy. Also, domain name registrants who register trademarks in the hope of re-selling them are becoming better at “camouflaging” their lack of real interest in the domain name by starting a “cover-up” business or by otherwise pretending to have a right or legitimate interest in the domain name. Another reason is that respondents become more and more sophisticated in their response. Finally, now that trademark owners have succeeded in gaining back the domain names held by obvious cybersquatters, they have more time to try to have domain names held by less infamous people transferred to them.
between such approach and what prevails now is that the actual UDRP does not make it clear what the status of the respondent is, while the status of the complainant is clear: the respondent is a trademark “owner”. A domain name registrant is therefore seen as some sort of trespasser or parasite. If the domain name registrant were considered as a right holder as well, the perception of the relationship would change. To deprive someone of a right, even if this right is not a “claim-right”\textsuperscript{89}, it requires better reasons than it does to oust a trespasser.

Also, because the complainant gets to choose the administrative-dispute-resolution service provider\textsuperscript{90}, there is a risk of bias in favour of the trademark owner, or at least an appearance of bias. Therefore, we want to avoid giving too much discretion to the UDRP panels and define as much as possible the boundaries of the concept of abuse in a hypothetical improved UDRP. On the other hand, it would be a mistake to eliminate the panels’ discretion completely by defining abuse in overly restrictive terms. What we need is a more solid set of principles to guide the exercise of that discretion. In this chapter, I provided guidelines that I suggest should be used to help panels to determine if a particular case is truly a case of “egregious abuse”, or if the respondent is just “not being nice”.\textsuperscript{91} If faced with a case where the respondent is just “not being nice”, the panel should refuse to intervene.

The trademark law experience has shown that once a new right or “tool” has become available, it is illusory to try to get the genie back in the bottle. However, the creation of a UDRP-like Policy for disputes involving personal names, International Nonproprietary Names (INNs) for Pharmaceutical Substances, names of international intergovernmental organizations (such as the United Nations), geographical indications, indications of source or geographical terms and trade names is imminent.\textsuperscript{92} Hence, it would be wise to stop focusing on “trademark violations” and start thinking of standards of morality that are better suited for these other situations. I suggest that the doctrine of abuse of rights may help drafting a clearer and fairer Policy.

Am I not afraid that the solutions I am suggesting may be too “cybersquatter-friendly”? It is true that if some of the solutions I set forth in the previous sections of this chapter were applied,

\textsuperscript{89} See discussion at notes 55 and 61.  
\textsuperscript{90} ICANN Policy, para. 4(d).  
\textsuperscript{91} See section B-2., above.  
some infamous "cybersquatters" would not be caught. However, it was said from the beginning that the Policy would only apply to the "most egregious" cases of cybersquatting. I strongly believe that to let a few "cybersquatters" running free is a lesser evil than to shut down a useful website in the name of some ambiguously defined concepts of "infringement", "free-riding" or "unfairness". Indeed, a fair dispute resolution mechanism should not ignore the other side of the coin: the abusive use of legal or administrative procedures. Just as the trademark owner is protected by the doctrine of abuse of rights, so does this doctrine protect the public from the trademark owner's temptation to abuse his or her trademark rights.

Conclusion

Trying to fit the "cybersquatting problem" into existing legal frameworks, whether they are common law torts or civil law categories of abuse of rights, is not an easy task. The abusive registration and use of a domain name is probably a category of its own, a "sui generis" evil. However, a look at this phenomenon in the light of the theory of abuse of rights may have helped identify some theoretical problems, as well as public policy concerns, that need to be addressed if we want the UDRP to be a truly satisfying solution to trademark/domain name disputes, but also to conflicts between domain names and other "intellectual properties".

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93 This type of behaviour is embraced by the doctrine of abuse of rights. See Baudouin & Deslauriers, supra note 3 at 137ff.
CONCLUSION

“Cybersquatting” as defined by the WIPO constitutes trademark infringement only where the domain name in dispute is used to distinguish the domain name registrant’s goods or services. Also, there must be a likelihood that such use of the trademark will cause confusion, in the public’s mind, as to the source, association, sponsorship or endorsement of those goods or services. “Cybersquatting” constitutes trademark dilution only if the domain name is used in connection with goods or services. This use must be likely to cause the lessening of the capacity of the trademark to identify only one source of goods or services, or have the effect of depreciating the value of the goodwill attached to that trademark. Trademark owners needed a more powerful tool to catch the “cybersquatters”, because most “cybersquatters” are not using their domain name(s) in an infringing or diluting way. The United States Department of Commerce and the WIPO showed extraordinary eagerness to find a cure to the “cybersquatting pest”. But they have created a bomb to kill a mosquito. And the WIPO described this bomb as an expression of “multilaterally agreed standards of intellectual property protection”. Trademark owners are happy with this unnatural analogy between “cybersquatting” and trademark infringement because it gives them the legitimacy they were lacking to try to control every use of their mark, as if their mark was copyrighted.

The fast growth of e-commerce and the rapidity with which businesses are created (or dismantled) may call for a fast dispute resolution mechanism like the UDRP. Its content, however, presents an entirely different question. The UDRP allows trademark owners to cheaply police their mark in areas formerly outside of their reach: the area of non-commercial use and the area of non-use. The only restriction imposed to traders in their quest for total control over their trademark is the requirement to prove the domain name holder’s “bad faith” and absence of “right or legitimate interest”.

By using such subjective and vague concepts as “bad faith” and “legitimate interest”, the ICANN Policy leaves room for a lot of discretion, discretion which is, most of the time, exercised to favour the trademark owner over the domain name registrants. As observed in too
many cases, such as Rollerblade\textsuperscript{1}, J.Crew\textsuperscript{2} and Time Inc.\textsuperscript{3}, some panels seem less tolerant than others, and probably less tolerant that the drafters of the ICANN Policy themselves. Why such intolerance? People like Dennis Toeppen\textsuperscript{4} and Joshua Quittner\textsuperscript{5} surely can be annoying. But if we were able to sue cheaply every annoying person, courts would multiply and would have to be open 24 hours a day, seven days a week to respond to the demand. To take action against someone, a right has to be violated and/or tangible harm must have been caused by an illicit behaviour. People like Toeppen and Quittner are not violating any trademark rights\textsuperscript{6} and there seems to be no rational basis for qualifying their behaviour as illicit.\textsuperscript{7} Yet for US $1500\textsuperscript{8} a trademark owner can have their domain name.

Are we not causing more harm than good here, by giving trademark owners cheap, fast and risk-free means of harassing anybody who happens to hold a domain name that is somewhat similar to their trademark? A cost/benefit analysis of the UDRP and its results would be a rather complicated task. Moreover, there are values that are not measurable in dollars, and these include freedom of expression, privacy, and the liberty to register domain names in bad faith without a “legitimate” interest, as long as nobody’s rights are violated. While I am not ready to argue that we are causing more harm than good with the UDRP, I am convinced that it is possible to resolve trademark/domain name disputes without going over-board.

My reasoning is quite simple. Trademark owners are granted exclusive rights, which third parties have the duty to respect. Some like to call this package of exclusive rights “property”. I much prefer the expression “limited monopoly”. Outside of this limited monopoly is an unrestricted area, where everybody has the privilege, or liberty, to “come and go”. This comprises the liberty to use words and expressions, including invented words such as

\begin{thebibliography}{9}
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\bibitem{3} Time Inc. v. Chip Cooper, WIPO, Case No. D2000-1342.
\bibitem{5} See Introduction.
\bibitem{6} See generally Chapters I and II.
\bibitem{7} See generally Chapter IV.
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There are good analogies to be made between the “cybersquatting” phenomenon and situations that were considered problematic by civil law courts applying the doctrine of abuse of rights. But it is not sufficient to say that we will use the abuse of right “approach” to make the ICANN Policy fairer. We need to be able to distinguish between what is abusive and what is not. The registration and use of expressive domain names such as <trademarksucks.com> are not abusive. The registration and use of a domain name for the purpose of complaining, criticising, expressing satisfaction, starting a fan club, are not abusive. The registration of a single domain name, if not used to compete with the complainant or to sell offensive stuff using complainant’s trademark, is not, *prima facie*, abusive. The registration of ten domain names incorporating the same trademark, or variations of it, seems more abusive. The registration of a domain name to sell it to a competitor of the complainant is probably abusive. The registration of a domain name by the competitor itself is definitely abusive.

Faced with people exercising their “liberty” in a way that did not exist before, the authorities (read the WIPO and the United States Department of Commerce, principally) over-reacted and declared war. Now countries are pressured to implement UDRP-like regulations and to adapt their country-code management systems to the UDRP.¹⁰ A growing number of international trade agreements contain obligations to legislate against “cybersquatting”.¹¹ Chapter V of this

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¹⁰ For instance, the Free Trade Agreement of the Americas-FTAA, Draft Agreement, Chapter on Intellectual Property Rights, derestricted July 3, 2001 reads:

Article XX. [Domain names on the Internet

1. Parties shall participate in the Government Advisory Committee (GAC) of the Internet Corporation for Assigned Names and Numbers (ICANN) to promote appropriate country code Top Level Domain (ccTLD) administration and delegation practices and appropriate contractual relationships for the administration of the ccTLDs in the Hemisphere. 2. Parties shall have their domestic Network Information Centers (NICs) participate in the ICANN Uniform Dispute Resolution Procedure (UDRP) to address the problem of cyber-piracy of trademarks.]

¹¹ Another part of the same document reads:

Article XX. [Cancellation and transfer of domain name

In the event that a well known distinctive sign has been inappropriately registered in the country of the Party, as part of a domain name or electronic mail address of an unauthorized third party, on request by the owner or legitimate rightholder of that sign, the competent authority shall consider the
thesis contains factors to be taken into consideration when deciding if a domain name registrant is abusing or not, and to help deciding bodies determining if the harm caused to the complainant is significant enough to do anything. It also contains alternative remedies to the transfer or cancellation of domain names. Although it might be too late to reverse the pro-complainant trend in the application of the ICANN Policy, it is my hope for this text to initiate a shift in the way we see "cybersquatting" and in the way we will deal with it in the future.

matter and, where appropriate, shall order cancellation or amendment of the registration of such domain name or electronic mail address, in accordance with the respective national law, provided that use thereof would be liable to have one of the following effects: 1. Risk confusion or association with the owner or legitimate rightholder of the sign, or with his or her establishments, activities, products or services; 2. Cause unfair economic or commercial injury to the owner or lawful rightholder of the sign, arising from a dilution of its distinctive force or commercial or publicity value; 3. Make unfair use of the prestige of the sign, or of the good name of its owner or lawful rightholder. The action of cancellation or amendment shall prescribe, for a period of five (5) years from the date on which the disputed domain name or electronic mail address was registered, or from the date on which electronic media, whichever period expires later, except where the registration was made in bad faith, in which case the action shall not be prescribed. This action shall not affect any other action that might be available with respect to injuries and damages under common law.]
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