

**Autumn 2001**

P a n n o n e L a w G r o u p

**PLG**



# Intellectual Property and e-commerce Bulletin

## European Data Protection

The European Data Protection Directive (the "Directive") must be adopted and adhered to by all European Economic Area Member States. The main aims of the Directive are the protection of an individual's privacy in relation to the processing of personal data; and the harmonisation of Data Protection Laws throughout the Member States. Personal data is broadly defined as data or information which can identify a living individual, for example name and address, bank details, date of birth. The Directive sets out conditions where the processing of personal data is lawful.

Not surprisingly perhaps, the different European Economic Area Member States have interpreted the provisions of the Directive differently.

The Directive provides that, save for a few exceptions, data processing must only be done with the data subject's consent. Processing, for the purposes of the Directive, includes obtaining, recording or holding information or data or carrying out any operation or set of operations on the information or data.

The Directive applies to personal data processed wholly or partly by automatic means and to manual data held in filing systems structured by reference to individuals. Therefore, if you or your company are holding personal data on an individual without that individual's consent you may be infringing the provisions of the Directive as well as infringing national law.

This will almost definitely be the case if you are processing sensitive personal data without the explicit consent of the data subject. Sensitive personal data is data which relates to a person's racial or ethnic origin, political opinions, religious beliefs, Trade Union membership, health, sex life or criminal convictions.

Finally, the Directive expressly forbids the transfer of personal data outside the European Economic Area unless consent is obtained from the data subject. Obviously, this has potentially far reaching implications where companies based inside the European Economic Area have parent companies or subsidiary companies domiciled outside the European Economic Area. To maintain the data flow between the Group companies the provisions of the Directive would need to be adhered to, otherwise data flow would have to cease as the companies would be in breach of the Data Protection requirements.

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## Domain Names on the Internet and Trademarks

Your trademark is used to distinguish your products or the services you offer on the market from those of your competitors. Furthermore, it allows you to associate your reputation with the quality and reliability of your products or services, which explains why many among you deploy so much time and money in researching, designing, commercializing and protecting your image.

The increasing use of the Internet and the direction taken by this medium as a real information centre and a place to commercialize goods and services has revolutionized Canadian trademark law. The domain names, just as the trademarks, allow an association between your business and a given good or service.

Domain names are used in electronic mail addresses (e-mail) and also in Web pages, and their choice is very important. In fact, one of the major problems found on the Internet is that although there is a multitude of information and resources, it is often very difficult to locate. This is why the domain name often comprises the commercial name or a given trademark of the business owning the site, so as to make it easier to remember and easier to identify its electronic address (for example, we will find the Web site for the Apple Computer company's site: [www.apple.com](http://www.apple.com)). In most cases, when we wish to locate a commercial Web site, it is enough to write the name of the company with the prefix "www" and the suffix ".com" and there you are! Therefore, there is an obvious, conceptual link between the domain name and the trademark, which can also be associated with a product or service.

The granting and recording of a domain name is made through the help of different organizations existing to this end, according to the principle of

"first com, first served". In the United States, it is ICANN and its authorised registrars responsible for the registration of the Top Level Domains ("TLDs") .com, .org and .net. In Canada, the registration of the domain name .ca is obtained through a new organization which is named "Canadian Internet Registration Agency, CIRA". As with all other global registrars, each domain name can only be granted once. This agency makes sure that the holder of registrations are Canadian entities or societies operated and physically present in Canada or Canadian citizens residing in Canada.

The difficulty comes from the fundamental difference between the system for granting trademarks and the system for granting domain names. In the trademark system, the same mark can be registered by different entities if it does not create confusion. Confusion can be avoided if the companies carry on their business in different fields of activities or in different countries. It is different for the granting of a domain name as each one must necessarily be unique, notwithstanding the origin, the business area, the products or services offered by the company.

Problems arise when an owner of a trademark wishes to obtain a domain name corresponding to its trademark, but finds that this name has already been granted to a third party. This third party will therefore be totally barred from registering its trademark as a domain name. This has led to the development of an opportunist market. Some people have registered domain names corresponding to known trademarks of their competitors, preventing these persons from registering their domain names or have made a specialty in the systematic registration of domain names linked to known trademarks in the hope of reselling them to the real owners of these trademarks. To illustrate the importance of this phenomenon, we only have to think about the McDonalds matter. In this matter, a journalist registered the domain name [McDonalds.com](http://McDonalds.com) and used the electronic address [ronald@mcDonalds.com](mailto:ronald@mcDonalds.com) for their personal use. Being prevented from registering the domain name corresponding to this trademark, the company financed the acquisition of electronic equipment for a primary school in return for the sale of the registration of the trademark by this journalist.

Others register domain names to intentionally induce Internet users in error. They therefore benefit from the popularity of a trademark that is

already well known and/or simply cause prejudice to a competitor in creating depreciation of goodwill. This is commonly known as "cybersquatting".

## Solutions!

To remedy these many problems, your business must be aware of the different solutions existing, like the declaration in unfair competition or the declaration in depreciation of the goodwill of the company and you must also be aware of the ICANN Uniform Dispute Resolution Policy. The registrant will have to certify on its application to register a domain name (.com, .org, .net) that it will subscribe to the ICANN Dispute Resolution Policy. It will also need to certify that it does not violate, to its knowledge, other trademarks or laws. Any owner of a registered trademark, no matter in which country the trademark is registered, can require the suspension of a domain name that is identical to its trademark, by sending to a certified copy of the registration of this trademark. It will be the responsibility of the user of the domain name to prove, in a thirty (30) day period, that he also is the holder of a registered trademark identical to this name. If this is the case, ICANN or the accredited registrar will suspend the use of this domain name until the parties have reached an agreement or until an arbitration or a tribunal have rendered judgment on the rights of each party.

Finally, a reminder that the simple use of a trademark during a certain period of time can establish a right of ownership in Canadian law, (even though the registration of a trademark is highly recommended.) Registration will help to protect a company brand against imitation or confusion with other trademarks by granting exclusive rights and a legal presumption of ownership, rendering difficult any contestation of the existence of this trademark. Finally, considering that the domain names are registered at a disproportionately high number in relation to the registration of trademarks, it is essential to register a domain name corresponding to your trade mark (registered or unregistered), as soon as possible.

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## Domain name regulations in Portugal

Due to the extreme growth of the number of requested domain names in Portugal, in February 2001 the national registry imposed new regulation regarding registration of Portuguese (“pt”) domain names.

The national entity responsible for the management of the “.pt” domain name service is, by delegation of the Internet Corporation for Assigned Names and Numbers (ICANN), the National Foundation for Scientific Computerisation (FCCN).

Due to the approval of the new regulation on domain names registration, the following sub-domains are available:

- “.net.pt”, to Internet and telecommunication services providers, registered at the Instituto das Comunicações de Portugal (ICP).
- “.gov.pt”, the users of these domains must be government bodies of the Portuguese Republic.
- “.org.pt”, for organisations, for instance charities or trade unions.
- “.edu.pt”, for both public or private schools.
- “.int.pt”, to international organisations or diplomatic organisations registered at the National Registry of Companies (Registo Nacional de Pessoas Colectivas).
- “.publ.pt”, such domains must be applied for and registered by press members duly registered at the National Institute for the Press (Instituto da Comunicação Social).

- “.nome.pt”, applied for and registered by any bearer of the Portuguese National Citizen Card, as well as any Portuguese resident with a valid permit

- “.com.pt”, for commercial enterprises.

-

However, the possibility of registering a domain name directly under the “.pt” top level domain (tld) still remains.

### The registration of generic domain names

The new rules allow the adoption of generic or geographic category domain names under the sub-domain “.com”.

The registrant can apply for his domain exclusively through an electronic process, without presenting the FCCN with any document and without restrictions of any sort.

The only limitations which the Portuguese rules impose on the registration of these domains are non registration for:

- a) those that could cause confusion, namely due to their resemblance to another's trademarks; or
- b) those equivalent to words or expressions contrary to the law, public order or other vices.

If such rules are broken, FCCN will make use of its powers to prevent the violation of the correspondent rules.

Registered domains under the sub-domain “.pt” are not transmittable to others by its original registrant.

This regulation, according to international practice and the World Intellectual Property Organization (WIPO) recommendations, aims to prevent speculative domain registration and abusive use of domain names under “.pt”. tld

Although the rules have just recently entered into force, should the European Commission decide to go further on the approval of an European tld “.eu”, new modifications shall be introduced.

### Registration and Renewal Costs

When applying to register a domain name under the “.pt” top level domain, the registrant will be

obliged to pay a submission and renewal fee.

After presenting the registration form and the necessary documents, if the FCCN does not recognise rejection causes in the process, the requested domain shall be activated within a 10 days period (not including weekends or bank holidays).

Should the holder of the domain name fail to pay any of the fees, FCCN will, within 30 days, remove the domain.

### Dispute Resolution

Considering the need to provide fast, accurate and specialised solutions to the disputes arising from domain name registration, the Portuguese rules have established Arbitration as the dispute resolution method for these matters.

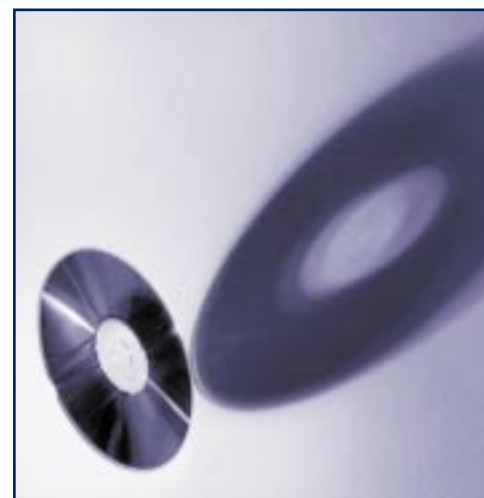
Each party shall nominate one arbitrator, and both arbitrators shall nominate another individual to preside the Tribunal. Each party shall support the costs of its Arbitrator and its share of the fees of the President of the Tribunal.

The registrants expressly renounce their right to revert to any other means of conflict resolution before the notification of the award of the Arbitral Tribunal.

The Tribunal must notify the award up to 60 days after the nomination of the arbitrators.

Regardless of the decision of the Tribunal, the aggrieved party may still file a (judicial) lawsuit against the other party.

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## The contribution of a domain name to a company

Existing national and international laws impinge on the Internet in unusual ways. Debates on the effect of existing law on the Internet are essentially concentrated around the possible conflicts between domain names and previous rights like a trademarks and cybersquatting.

The case of the Commercial Court of Marseille - October 26 2000 ("Petites Affiches" June 29 2001 - Nicolas Ivaldi) perfectly illustrates difficulties that can arise.

In this case, a SARL company used a company website. The registrant of the domain name of this site was one of the founders of the Company. Later, the founder left the company and required the company to stop use of the domain name. The commercial judge granted his request. However, though he was the registered owner of the name domain, it was held that he could not exploit it. If the domain name is exploited it will be an unfair competition act or a parasitism act and infringement of the true "ownership".

Therefore, to avoid all later conflict between the owner and the company, the correct registration of the domain name is essential.

Though domain name registration is relatively simple, companies should ensure that the owner is recorded as the Company and not the individual who applies for the domain name. Registration is not only a administrative act but a real legal act. It is important to advise managers of the importance of the formalities.

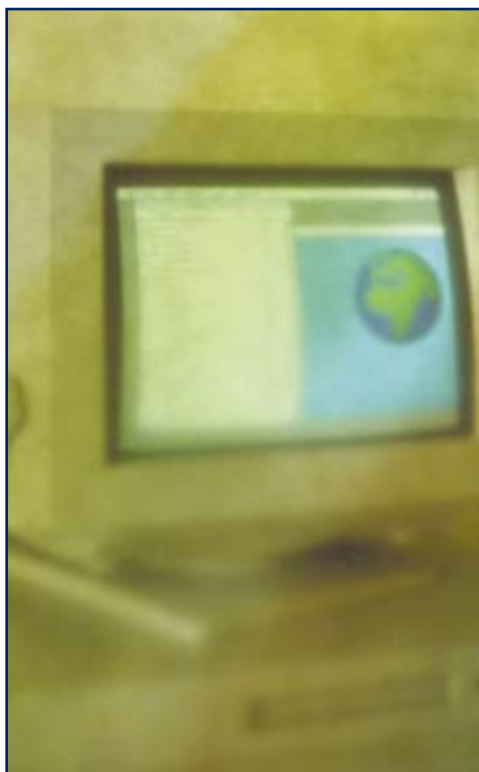
Domain name recording can be carried out by an officer of the Company. The officer must point

out in the domain name registration the fact that he acts for the company, and provide the Registrar with all the information that is required to identify the Company as the owner.

The value of the domain name will depend upon how busy the website is (in addition to whether or not it incorporates a successful brand or trade mark).

It pays to be vigilant and check that your company is registered as the proprietor of your company domain name and, if this is not the case, then you should ensure that the appropriate domain name transfers are executed in order that ownership vests in the Company and not a third party.

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## "Tuscan Trend" for the protection of domain names

The general trend of Italian case law would appear to show that the criteria for applying to register domain names is the same that regulates trademarks and business names. The uniform case law in this sense has led to the drafting of a bill (the so called Passigli bill) which is now being examined by Parliament.

However, recently, contrasting principles have been applied by the Tuscan tribunals (in particular Firenze, Empoli and Pistoia) developing what has been called the "Tuscan Trend". The last decision of the series has reopened a debate on how domain names should be treated.

The decision concerns the domain name blaupunkt.it and the right of exclusivity for the use of this domain name. The tribunal of Florence (Ordinance November 23rd, 2000) has held that "the domain name represents only an address on the web and does not in itself imply a reference to a trademark or any other commercial right". The Court has underlined the difference between a domain name and a trademark as the first being merely made up of a group of numbers whilst a trademark has its own graphic characteristics and its purpose is to qualify the product of an enterprise. The court distinguished a domain name as being an address which makes it possible to be connected with a certain site but which does not have the purpose to protect or qualify an enterprise. Consequently it must be considered as something quite different from a trademark and a business name. The result of the Tuscan trend is that there is now uncertainty on the qualification of domain names, an uncertainty which could be cleared with the approval of the Passigli bill currently before Parliament.

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## New German copyright bill

The German government on 30 May 2001 introduced a bill intended to improve the situation of authors and performing artists. The intention of the draft law is to reinforce the contractual rights authors and performing artists have under their agreements with publishers, producers, and other entities exploiting their works.

In order to achieve this aim, the bill provides for a statutory claim for equitable remuneration for all uses made of a copyrighted work or any performance. Such statutory claim is in addition to any contractual claim and would be directed not only against the immediate contracting party, but against any entity using the work or the performance within Germany. It would not be limited to claims deriving from contracts governed by German law, but would apply to foreign works that are exploited in Germany as well. Any contractual remuneration received by the author or the performing artist could be set off against the statutory claim for equitable remuneration. The claim will exist for the lifetime of the copyright and/or the protection period for the performance and there is only a statute of limitation after ten years from the date of each use.

In order to increase the enforceability of such claim for equitable remuneration, a mechanism is to be introduced by which associations of authors or performing artists can request from associations representing users of copyrighted works or performances to agree to remuneration rules. In case no agreement can be reached there will be an obligatory arbitration procedure, or alternatively the remuneration rules will be set by the copyright tribunal (Schiedsstelle) which in the past was competent

to hear disputes about the equitability of tariffs set by collecting societies.

In addition to these two main sets of rules the draft law provides a panoply of further measures intended to strengthen the position of authors and performing artists. To name only a few: the possibility to agree on limitations of personality rights (such as the right of paternity or the right to make modifications of or amendments to the work) shall be restricted and the author is given a right to revoke any consent given in this respect with effect for any future uses. In the case of film and television productions the rights of authors and performing artists are to be reinforced by making it easier for them to claim that the final version of the film or television production distorts their works used in the course of producing such film work. It is also suggested that any transferee of exploitation rights shall be cumulatively responsible to fulfil any outstanding obligations that the transferor of such rights may have vis-à-vis the authors. Any remake rights in a film or television production may not be granted for more than ten years, after which time such rights will automatically vest with the author again. The prohibition of any grant of right for uses which are unknown at the time of entering into the contract that already exists for authors in the present Copyright Act is to be extended to performing artists who, as a consequence thereof, could claim that an agreement on the transfer of such rights be reached before their performance can be exploited in any form of a use which becomes known only at a later stage.

The bill and its predecessor, a draft prepared by five copyright professors, has met with great resistance from the side of the producers and other users of copyrighted works and performances. It is feared that its regulations would lead to an increase in copyright litigation and would create a need for very complicated

accounting mechanisms. Whereas it may be true that some of the results intended by the draft bill may be found in the US Guild Agreements and/or the French copyright law, it is the clear view of the copyright industries in Germany that the means to achieve this goal as suggested in the draft bill are tremendously complicated and do not take at all into account the interests and needs of the copyright industries. This could lead to a clear weakening of the German media industries on an international level.

As it seems to be the clear intention of the present government to get the law passed before the end of the legislative period (Autumn 2002), it is very likely that a very heated debate will go on until the reform, in its present or a modified form, will become law. It seems that this German initiative may have a model character as the Austrian government has recently also indicated that it intends to pursue similar objectives.

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# Insider news...

## To contact PLG

### “Barcelona .com” - the rights over a geographical domain name

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On August 2000, a WIPO Arbitration Center decision was issued in connection with the Domain Name “Barcelona.com”.

- people identified “Barcelona” with the city in Spain and any other city with the same name must use many other elements of distinction.

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The “Ayuntamiento de Barcelona” (City Hall of Barcelona) filed a complaint against Barcelona.com, Inc., domiciled in New York (the owner of the Domain Name by assignment of two individuals domiciled in Barcelona), requesting the transfer of the Domain Name “Barcelona.com”.

After considering these points, the WIPO panellist, in breaking with previous WIPO Arbitration Center decisions, gave judgement against the Complainant in favour of private holders. The reasons for this decision and others (i.e. Case no. D2001-0001 City of Hamina vs. Paragon International Projects Ltd. and Case no. D2001-0002 Port of Helsinki vs. Paragon International Projects Ltd.), is that geographical indications cannot be trademarks (articles 3.1c and 3.3 first sentence with the content of article 6.1(b)), and use of a geographical domain name can be honest practice in industrial and commercial matters if this web site offer products and services regarding the area. The gTLD (generic top level domain) “.com” identifies commercial activities. These activities can be operated by a company, if this company does not create a likelihood of confusion for the consumer to identify its web site with a official site of such a town, and does not use the domain name of this official web site without authorisation, then such use of the domain name will be permitted.

#### TO OUR READERS

This Newsletter is intended to introduce and explain on regular basis new areas of European, North and South American intellectual property law and eCommerce of general interest to all of our clients. It is jointly written and produced by PLG’s Intellectual Property and eCommerce International Network which includes legal practitioners in several PLG firms and their contacts worldwide. We always welcome comments and questions on any matters raised in PLG Intellectual Property and eCommerce News. Further information is available on all topics but nothing in PLG Intellectual Property and eCommerce News is to be regarded as a definitive statement of the law or as specific legal advice and reliance should only be placed on particular advice obtained from the relevant practitioners in the light of all relevant facts and circumstances. Readers are requested to direct their enquiries to the author of the relevant article.

During the course of the proceedings the Complainant stated that it was the owner of approximately 1000 Trademark registrations including the name of the city.

The respondent alleged that there were several towns in the world called Barcelona, and not only in Spain. Furthermore, it asserted that they registered the Domain Name with the aim of linking all the Barcelona cities in the world. In this regard the WIPO panelist considered whether:

Readers having suggestions for further articles or general comments on this Newsletter or requiring legal advice and assistance on any particular problem should refer directly to the appropriate PLG practitioner in the relevant country or contact the PLG Secretariat at the above address.

- according to the Respondent Business Plan, filed in the proceedings, the main purpose of this company is to exploit information about the city of Barcelona and its province. Furthermore, the web Page under “Barcelona.com” has a hyperlink to the information included in the official Web Page of the Government of Barcelona and it leads the consumers to confusion.

The preliminary hearing of this case was on August 16th 2001 in the Federal Court of Virginia. This hearing will decide who is the legitimate holder of the Domain Name Barcelona.com.

- anybody requiring information about Barcelona and its province will start the search by attempting to locate it through expression “Barcelona”. Hence, Respondent was definitively taking advantage of the normal confusion of public who expect to reach some official body or representative of the city of Barcelona itself.

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