

COUNTRY CODE DOMAINS USING FOREIGN COMPANY NAMES

Protection against Domain Grabbing in Germany

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1. Introduction

For worldwide operating companies and international organisations, the top level domains “.com,” “.info,” “.biz,” and “.org” are the most important and preferred domains. Nevertheless, Country Code Top Level Domains remain highly relevant for commercial success in different nations. Especially those companies that rely on and maintain close customer relations use Country Code Top Level Domains for national services rendered in specific countries. Start-up operations abroad make it appealing to register domains focused on growing businesses in a specific country. Certainly, many companies face the problem that combinations of their company name and Country Code Top Level Domain have already been registered by third parties. In a large number of cases, the owner of a Country Code Domain is a professional domain dealer who offers the purchase of a domain as soon as he realizes that a foreign company has a substantial interest in obtaining ownership of the domain.

These issues have affected registered trademarks for quite some time. For example, the famous trademark “Abercrombie & Fitch” has been registered in the United States since February, 1971. The trademark “Abercrombi & Fitch” (without the letter “e” at the end of “Abercrombie”) has been registered in Germany since 1987 to a German reseller of clothes and not to the well-known manufacturer of casual clothes from the United States. Moreover, the domain “abercrombi.de” is not registered to the US Company but to a supplier of technical products, even though the name of the German company has nothing to do with the word “abercrombi”. Undoubtedly, the German trademark and domain will cause Abercrombie & Fitch Europe some trouble in developing their business in Germany.

In many cases, foreign companies such as Abercrombie & Fitch do not register all of their trademarks worldwide before attaining recognition in the United States or elsewhere in the world. For this reason, they often have no possibility of taking advantage of trademark protection systems in order to claim ownership of a specific domain using a country code top level. In many cases, the offer to sell the Country Code Domain is comparable to commercial exploitation. Foreign companies have to pay significant sums of money to receive the right to use their name as part of a Country Code Domain. These payments do not seem justified. Of course, each company is convinced that its name must be protected by international and national law. However, it is indisputable that the right arising from the use of a certain company's name or from the registration of a trademark ends at the border between countries and continents.

2. Protection of national rights

As with any German company, a foreign company is protected by trademarks which grant protection within the Territory of Germany. It is irrelevant whether the trademark is registered with the German Patent Office, as an International Trademark with WIPO or as a Community Trademark. All these registrations grant protection for the Territory of Germany.

Based on existing national rights, names are protected in Germany by virtue of

- national and European Trademark Law, and
- the German Civil Code which grants protection for names which are not used in commerce.

Under these laws, foreign companies have the same rights as German companies. In general, protection of registered trademarks against domain grabbing is effective but strictly limited by the specific scope of protection of each trademark. Third parties are prohibited from using a country code domain for specific goods and services. The fact that trademark registration gives no right to claim cancellation of a domain creates the impression that this protection is incomplete and unsatisfactory. In some cases, there is additional protection by the German Civil Code and the rules of unfair competition. Notwithstanding, there are a number of instances in which it is possible to prevent third parties from using country code domains for competing goods and services without having the ability to claim surrender of the domain¹.

3. Protection of well known and famous trademarks

Only foreign companies with a high level of public recognition are able to acquire legal protection under sec. 4 no.3 German Trademark Act without having a registered trademark in Germany. This statute grants protection to foreign trademarks which are not used in Germany, provided that the trademark is well-known within the meaning of Art 6^{bis} of the Paris Convention². Where these trademarks are well-known in Germany, the protection is comparable to the protection of registered trademarks.

If these trademarks have already become nationally recognized in Germany, they are afforded greater protection under sec. 14 (2) no. 3 German Trademark Act. The fulfilment of these statutory requirements might justify a claim for cancellation of the infringing domain.

Global commercial players are often already in the possession of national rights as a result of their national activities. They even have the ability to claim cancellation in cases where the national owner of a domain has a national right and operates a business for dissimilar services. One of the first cases in which this became relevant involved the domain "shell.de" and was before the German Federal Court of Justice ("Court").³ The dispute was between the German Shell GmbH ("Shell GmbH"), part of the famous Shell group of energy and petrochemical companies, and a German citizen named Andreas Shell ("Shell"). Originally, the domain was registered to a professional domain dealer who had offered Shell GmbH the purchase of the German domain. After Shell GmbH declined the offer, the domain was transferred to Shell. During the court proceedings, Shell voluntarily agreed to use this domain for private purposes only. Without using the domain in business activities, Shell was

¹ German Federal Court of Justice (BGH) 09.09.2004 - IZR 65/02- "mho.de" GRUR 2005,430; German Federal Court of Justice (BGH) 02.12.2004 - IZR 207/01- "welt-online.de" GRUR 2005, 687, 689; Court of Appeal (OLG) Hamburg "Heimwerker Test" GRUR-RR 2008, 296, 298.

² Paris Convention for the Protection of Industrial Property

³ German Federal Court of Justice (BGH), 22.11.2001 - I ZR 138/99 - "shell.de" WRP 2002, 694.

precluded from using the trademark rights of Shell GmbH. Trademarks are protected only against use in the course of trade.

The Court issued a decision based on the German Civil Code (the “Code”) and the statutory entitlement to name-protection only. The Court found that since both parties were entitled to equal protection under the Code, the respective interests of the parties needed to be weighed by applying principles of priority. Under these principles, the person who registers the country code domain first has the rights of ownership of the domain. It was not surprising that the Court came to another opinion in this specific case. Under German law, where a famous name is affected and consumers have a reasonable expectation of associating the right holder of the country code domain with the famous name, the interests of the company doing business under the recognized name outweigh the interests of an unknown owner of the country code domain. The interests of Shell GmbH are afforded greater weight as long as another party cannot successfully argue special circumstances in its defence. For this reason, the Court decided that Shell GmbH had the right to claim cancellation of “shell.de.” This result does not seem satisfactory because Shell GmbH did not receive ownership of the German domain. However, since the dispute was filed with DENIC, the German registrar, the Court’s decision to cancel the German registration had the same effect as a claim for the transfer of the Country Code Domain. The party who files the dispute obtains the right to receive ownership of the German domain “shell.de” in accordance with the general terms and conditions of DENIC.

In summary, famous names and well-known trademarks will be protected against domain grabbing in Germany on a high level.

4. Protection without reputation or national registration

What happens in a globalized economy to the smaller companies that are looking to inject themselves into international trade activities without having the benefit of public awareness of their trademarks or the status of a global player who has already acquired name protection based on national law? What are their chances of receiving ownership of a Country Code Domain without having national rights?

4.1 Mere domain-dealing is legal

Foreign companies must be aware that, in general, a domain dealer will be viewed as operating a legal business. Mere domain dealing is legal under German Law. This topic was subject to litigation regarding the domain “ahd.de.”⁴ This was a national case that did not involve a foreign company. As in the case of many foreign companies, the German plaintiff was unknown, lacking any reputation in Germany. The Federal Court of Justice (“Court”) held that the registration of a domain name is not illegal in principle. As long as there is no infringement of national rights such as trademarks or names, a foreign company will not have protection in Germany against domain grabbers. Notwithstanding, the Court stated that under certain circumstances domain registration may be deemed illegal if it is shown that the registration is a form of unfair trade practices. A registration made with the intent to sell the registration to a third party is per se not an unfair trade practice. However, where such an owner knows that a specific company might be interested in the registration of this domain, the intent to sell the registration to a third party may constitute relevant evidence of unfair trade practices.

This decision of the Court underlines that, in general, unknown foreign companies will have no protection against domain grabbing in Germany because it is very difficult to obtain

⁴ German Federal Court of Justice (BGH) 19.02.2009 - I ZR 135/06- “ahd.de”-WRP 2009, 803; German Federal Court of Justice (BGH) 02.12.2004 –IZR 207/01-“welt-online.de” GRUR 2005, 687, 688.

evidence of unfair trade practices. The owner will always defend himself by arguing that he did not know about the foreign company and its intention to do business in Germany.

4.2 Domain dealing and the rules of unfair competition

In another case, the Court decided a dispute regarding the domain “afilias.de.”⁵ Afilias Ltd. (“Afilias”) is the domain name registry for the top level domain “.info.” This company was founded in the United States in the early 2000s, a time when there had been an enormous demand for new international top levels as it had become more difficult to acquire desirable domains on the top level “.com.” In the beginning, Afilias was just the name of a working group of different companies that had applied for the right to become the registry for the top level domain “.info”. This occurrence became a topic of media coverage on further developments of the world wide web. Just a few days after the working group filed the application; a German citizen registered the country code domain “afilias.de.” As soon as Afilias received the right to work as the registry for “.info,” it founded the company and filed for trademark protection. However, the German country code domain was already in the possession of a third party. Litigation between the parties resulted after Afilias declined the purchase offer.

German law is clear on the issue that the registration of a domain creates the right to use the domain on a contractual basis which is linked to the owner as a right of property⁶. The registration gave prior rights to the owner of “afilias.de.” At the time of registration, there was no superseding right in Germany which protected the rights of Afilias.

Nevertheless, the Court held that the owner of a domain has no right to claim the prior right where the registration is a form of unfair trade practice. It is an abuse of formal rights where the owner of a domain registers the domain with the intent to offer it to a specific company. For this reason, courts must carefully review all evidence of any particular case. The threshold issue is whether there is any evidence that shows the intent of a domain holder to prevent a specific company from freely using its distinct name in Germany as part of a country code domain. In the Afilias case, the FCJ remanded review to the Court of Appeals which had to clarify all the circumstances of the domain registration and the activities of Afilias which had simultaneously launched its business.

It is recommended that companies facing similar issues in Germany develop and maintain records of all facts and circumstances prior to making investments in domain names. Relevant questions include (1) whether there have been any previous contacts or correspondence with the holder of a grabbed domain, (2) whether there has been a prior business relationship with the holder, (3) what type of business activities has the holder pursued in the past, (4) whether there are or have been other companies that have had similar problems with the holder of the domain, and (5) whether there is any information on other domains which the holder has used or still uses to block other foreign companies. These are several major points which need to be tracked and verified by a foreign company that is not willing to pay for the use of its name as part of a German Country Code Domain. Although it is not that easy to obtain this kind of information, it is crucial that a company exercise some degree of due diligence before investing significant sums of money in the purchase of a domain name from a domain dealer.

Where there is evidence of unfair trade practices involved in a domain registration, a foreign company will have greater ability to negotiate a lower purchase price for a domain or to file a meritorious lawsuit against the offending party.

⁵ German Federal Court of Justice (BGH) 24.04.2008 –I ZR 159/05- „afilias.de“ WRP 2008, 1520.

⁶ German Federal Constitutional Court (BVerfG) –“ad-acta.de” GRUR 2005, 261.

This demonstrates that even unknown companies from abroad are not without any legal protection in Germany, even where they do not possess national rights such as registered trademarks which grant specific protection.

5. Conclusion

There is a high level of protection for any holder of national rights against domain grabbing, regardless of whether the holder is a German national or a foreign company. If a party is a holder of national rights, the German legal system grants reliable protection based on trademark rights or under the German Civil Code.

Well-known trademarks are also protected in Germany in accordance with Art. 6 et seq. of the Paris Convention.

If a foreign company has no intellectual property rights in Germany, there may be legal protection where it can be shown that the registration of a domain using the foreign company's name constitutes an unfair trade practice.
