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Concept of "bad faith" in domain name registrations

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In its decision of 3 June 2010, in the case C-569/08, the ECJ gave some rules regarding the examination of a bad faith registration of a .eu Top Level Domain. The question whether a domain name registration was in bad faith must be examined taking all relevant facts of the case into consideration. This short article evaluates this decision of the ECJ.

I. Introduction

The .eu Top Level Domain was introduced by the Regulation (EC) No. 874/2004 laying down public policy rules concerning the implementation and functions and the principles governing the registration (further: the Regulation). The Regulation followed the system that was adopted in the setting up and regulation of earlier Top Level Domains, including the so called ' sunrise period' of 4 months, during which holders of prior rights recognized or established by national and/or Community law and public bodies could apply for a registration of a domain. One of these prior rights is a trademark registration. Only after this sunrise period the general registration started. Because the Top Level Domain registration is a system that grants the domain to the first applicant, the sunrise period envisaged to safeguard existing prior rights. It was anticipated that some would try to profit unjustified from the advantage of the sunrise period. Therefore the concept of "bad faith" was introduced in article 21 of this Regulation. The different language versions of this provision contain a degree of disparity suggesting that the instances of bad faith referred to in this provision are limited while other versions assume that the circumstances constituting bad faith which is set out in this provision are merely by way of example. The Austrian Supreme Court saw reason to ask the ECJ to explain the concept of bad faith. The Regulation institutes an Arbitration Court that can correct unjustified registrations and transfer a domain to the complainant. It is possible to appeal from such a decision with the competent national court.

II. Facts of the judgment of 3 June 2010 of the ECJ

In this case the action was addressed against sunrise registration of the .eu domain name reifen, that was based on the Swedish trade mark "&R&E&I&F&E&N&" for "safety belts" in class 9. As was clear from the case-files this company never intended to use this trademark as registered. According to article 11 of the Regulation, the special characters had to be eliminated and therefore the word "reifen" remained, which is the German word for tires. The

registration of the domain name was contested before the Arbitration Court by the holder of the Benelux and a Community word mark “Reifen” which was registered for goods in the classes 3 and 35. The Arbitration Court decided to transfer the domain to the holder of the Benelux and Community trademark. According to the Arbitration Court, the holder of the Swedish trade mark acted in bad faith in applying for the registration of the domain name at issue. This decision was challenged in accordance with article 22 para 13 of the Regulation. This action was dismissed as unfounded at first instance as well as in appeal. The Austrian Supreme Court (Österreichischer Oberster Gerichtshof) referred five questions to the ECJ on the interpretation of article 21 of the Regulation.

III. Interpretation of article 21 para 3 of the Regulation

The Austrian court wanted to know whether the assumption that a domain name registration is in bad faith can be based on other circumstances than the ones mentioned in article 21 para 3 of the Regulation. The reason for this question is the different language versions of this provision. Especially the German version of article 21 para 2 of the Regulation that states “Bösgläubigkeit im Sinne von Absatz 1 Buchstabe b) liegt vor, wenn (…)” might give the suggestion that the circumstances for bad faith are limited to the cases as laid down in this provision. The ECJ, however, did not follow this view and referred to the other language versions which indicate that the circumstances listed in article 21 para 3 of the Regulation are merely examples. Next to this grammatical interpretation, the ECJ examined the objective of the Regulation. The Regulation intends to frustrate the registration of speculative or abusive domain names, which may result from a variety of circumstances of fact and law. A limitation of the circumstances establishing bad faith would compromise the intention of the Regulation. The ECJ refers also to the First WIPO Internet Domain Name Process, of 30 April 1999, and, in particular, to paragraph 2 of Recommendation No 171 concerning the concept of “bad faith”. As it follows from recital 16 of the Regulation, the relevant WIPO recommendations have to be taken into consideration in order to ensure that speculative and abusive registrations are avoided as much as possible. According to paragraph 2 of Recommendation No 171, which corresponds to article 21 para 3 of the Regulation, the circumstances constituting bad faith as listed here are not exhaustive. These arguments of the ECJ are convincing.

IV. The concept of bad faith

The ECJ then examines the concept of bad faith itself. In doing so, the ECJ refers to its case law in respect of bad faith trademark registrations. In its decision of 11 June 2009 in the case *Lindt & Sprüngli*, the ECJ held that the question whether an applicant was acting in bad faith must be subjected to an overall assessment taking into account all factors relevant to the particular case.

In this decision, the ECJ does not limit its examination to the domain name registration as such, but examines as well the circumstances concerning the registration of the word mark "&R&E&I&F&E&N&". It appears to be fair and correct to consider that a domain registration was made in bad faith, when the prior right that is used for this registration is a bad faith registration. Whether a Swedish registration is a bad faith registration, is however a question that must be answered by Swedish law, an aspect of this case that is not explicitly taken into consideration by the ECJ. This means, that the ECJ treats the circumstances under which the prior right was acquired as being part of the circumstances that must be considered under art. 21 of the Regulation, irrespective whether it has been established that these circumstances are considered as speculative and/or abusive in the relevant country. It seems that this is a correct approach in the perspective of the objective of the phased registration to safeguard a prior right as recognized by Community or national law. Therefore, the registration of the trademark should be taken into consideration when the purpose of such a registration is solely to circumvent the limitations of the phased registration.

V. Conclusion

In this decision, the ECJ made it clear that the reasons for bad faith as laid down in article 21 para 3 of the Regulation are not exhaustive. In order to examine whether a registration was in bad faith all facts of the case must be taken into consideration. The ECJ then sets out some indicating factors that can implicate bad faith. These factors regard not only the registration of the domain name but also the registration of the trademark. This decision gives more legal certainty regarding the registration of domain names during the sunrise period. This decision is in line with the bad faith concept as set out by the ECJ in respect of trademark registrations.

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