

Trademarks and domain names

a necessary harmonising of practices

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Introduction

For the past fifteen years, the development of the Internet has had a major impact on brands with the emergence of domain names. At first, trademark holders were reticent to act. But like it or not, they eventually had to grapple with the dangers of cybersquatting in its various forms. This rude awakening to the issues surrounding domain names occasionally hid a broader reality, namely that domain names, as the Internet «transpositions» of brands, are just as crucial as trademarks to the existence of companies. In fact, domain names may even be more crucial, given the immediate effects where fraud occurs.

Nevertheless, the management of domain name portfolios is often given short shrift in comparison with trademark portfolios. Several factors may explain this. Trademarks have a long history behind them, whereas domain names are the new kids on the block. Additionally, the domain name portfolio, when it is not scattered to individual business units, is often «entrusted» to departments other than the «trademark law» department. And finally, the fundamental differences subsiding between these two vectors of corporate identity can also present obstacles: frequency of renewal, non-applicability of trademark categories to domain names, lack of an opposition period if an unauthorised domain name registration is disputed, and very fast, accumulated changes to the field of domain names.

That said, experience shows that companies have every reason to harmonise trademark management and domain name management. It is no longer sufficient to eliminate the risk of cybersquatting – in fact, this is an increasingly unrealistic goal, given the launch of thousands of new domain name extensions. Rather, an effort should also be made to streamline practices in order to avoid errors or omissions which could hurt the company – even without the involvement of any third party.

1 Best practices in brand management

Brands are a real tool of competition. They make it possible to enter new markets and keep or increase market share. Trademarks must therefore be registered with the French intellectual property office (INPI). They must then be rigorously maintained and defended. To avoid financial, administrative and/or legal hassles, an industrial property policy must be defined and enforced.

A few rules:

- **Define trademark registration needs and strategy:** Must the trademark be registered? If yes, what distinctive sign must be registered? Where? In whose name? How is it registered? For which products and services? What is the budget?
- **Monitor deadlines** (e.g. extension and renewal dates).
- **Regularly compare the trademark's geographical protection zone** and its geographical usage zone to increase the scope of trademark protection, if necessary.
- **Encourage dialogue between the various stakeholders in the company:** IT services, R&D, marketing and accounting must keep the legal department abreast of any information likely to affect the trademark. On its part, the legal department must inform the company's various departments of any major legal and administrative occurrences and their ramifications for the life of the trademark.
- **Prepare specifications for use in-house or by concession holders, defining trademark usage instructions, and verify that these specifications are applied** to avoid losing brand pull or refusals for usage that is non-compliant with certain legislation.
- **Regularly compile dated documents evidencing how the trademark is used in the countries covered** (e.g. brochures, invoices, marketing documents, packaging bearing the trademark, etc.) to avoid administrative or legal action arising from the expiry of the trademark, which would lead to a loss of rights to the trademark or unfavourable rulings in lawsuits against counterfeiters.
- **Set up a trademark monitoring system** to quickly locate fraudulent trademark registrations, questionable usages, or usages not complying with the specifications, so as to decide whether or not to take action.

2 Best practices in domain name management

Best practices in domain name management are often a matter of common sense. However, they require strict organisation and the application of rigorous rules.

The following practices are particularly deserving of mention:

- **Expiry date monitoring** to avoid having domain names mistakenly blocked or abandoned.
- **The use of a «generic» e-mail address** such as «dns.admin@votresociete.fr» for the administrative contact, to avoid the problems (and costs) associated with updates if individual staff members with this responsibility change. Another advantage of this solution is that several people may receive the messages sent to this generic address. This redundancy of recipients limits the risk that an important message will go unanswered.

- **The correct use of registered domain names** following the rules the company has set, such as redirecting to its institutional site, subsidiary sites or sites specific to the trademarks, products or projects.
- **The choice of a domain name «holder» that is consistent with the company's legal organisation.** By default, the holder must be the company itself, unless otherwise stipulated in an agreement.

In the case of complex structures, where a parent company has several subsidiaries, legal representations, distributors and partners, domain name management can become quite tricky, although often essential in order to protect the company's interests. The simplest solution still consists in ensuring that the holder of a domain name including a trademark is systematically the holder of the trademark in question. The advantage of this approach is simplicity: there are no convoluted measures to set up. It also makes it much easier to harmonise the management of the domain name portfolio with that of the trademark portfolio.

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Necessary harmonisation

The legal departments are often in charge of the domain name portfolio, but not always.

Flexible organisation must be set up for such cross-departmental issues as trademarks and particularly domain names, in which the communication, marketing, legal, Internet and other IS departments all play a role.

Since the issues surrounding trademarks and domain names are similar, if not identical, harmonisation benefits both. By harmonising them, it is easier to identify any inconsistencies and remediate them on several levels, particularly regarding legal matters and strategy.

Legal matters

Legal aspects are of the essence where trademarks and domain names are concerned. It is in companies' best interest to make sure that domain names are managed following the principles already laid down for trademarks:

- **Manage transfers of ownership more easily:** By having a single legal holder for both a trademark and its corresponding domain names, it is easier to manage any transfers of ownership of the trademark, either from one company entity to another, or to a third party in cases of the winding-up of the business and its associated trademarks. This rule also applies for a legal entity, such as a subsidiary, handed over to a third party. Too often, the lack of dedicated domain name management by holders leads to absurd situations in which the acquirer becomes the «owner» of domain names that are still used by the seller, who remains the holder of the domain names associated with the activities and trademarks of the entity handed over.
- **Adding consistency and legal security to trademark concession agreements:** When an entity grants a third party a concession to use a trademark it holds, it should automatically include the domain names relating to this trademark. The concession agreement should provide a framework for the rights of the concession holder, as well as the limits within which the latter is authorised to use the domain names containing the trademark included in the concession, whether or not these domain names must belong to the trademark holder.

Registering and using domain names within the context of partnerships and distribution agreements often leads to tension between the parties, simply because «domain name» matters have not been addressed in the agreement as «trademark» matters generally are.

- **Genuinely boost an entity's goodwill:** For domain names with high added value in terms of visitor numbers, reputation and visibility, if the holder is not the entity that holds the trademark, this could be detrimental to the goodwill of the «official» holder since it should logically be the domain name holder, as well. Accounting and tax problems could also arise, taking into account the flows between the entities of a given company.

Strategy matters

Brand strategy (e.g. which trademarks to register, in which categories, to cover which territories, etc.) must be consistent with the domain name strategy, and vice versa:

- **Protecting domain names in extensions of countries where the brand operates:** This matter is generally well addressed, even if only because of operating needs. However, some (unpleasant) surprises may arise if the preliminary trademark registration for a future brand has not taken into account domain name issues. One particular problem in this regard would be discovering that domain names existed before the trademark was registered, and that they were impossible to take over through conventional means. Likewise, registering domain names that are still free without checking whether the trademarks already exist may lead to costly disputes with the holders of the trademarks that existed before the domain names.
- **Protecting domain names in extensions of countries where the brand is simply protected:** This aspect is more difficult to manage, since trademarks are sometimes registered over wide geographical regions (e.g. international or European brands) whereas it is not possible to do so for domain names. One possibility is still to protect the corresponding domain names when the registration rules for local extensions are very open, or when the company has short- or medium-term plans for development in one of the countries covered by brand protection.
- **Protecting domain names in countries where the trademark cannot be protected:** In countries that have not signed any of the various agreements governing the trademark system, it may be necessary to proactively register domain names, simply because there is no simple recourse in the event of a dispute. The company must be aware of the situation, in order to shoulder this risk if these registrations are not performed;
- **Protecting the trademark where the domain names are used:** Sometimes an activity might develop using a domain name, without the corresponding trademark being registered. This tricky situation leaves the company open to risks which, once again, it must shoulder in all awareness.

Proactive registration strategies quickly snowball in cost (since domain names are renewed every year) and are to be advised against in the current context, where the many new extensions make it impossible to totally eliminate risk. Rather, it is best to set up monitoring measures for registrations performed for domain names identical or similar to the company's trademarks, just as the company already monitors registrations of trademarks to lodge an appeal if required. Any conflicts found are then investigated so that appropriate counter-measures may be taken. These range from domain name recovery out of court, warning letters to uniform dispute resolution procedures and finally lawsuits.

More generally, domain name monitoring is only one measure the company must set up to ensure that the trademark suffers no fraudulent uses or attacks via the Internet. From this point of view as well, by managing a portfolio of domain names consistently with the trademark portfolio, piracy and fraudulent registrations are identified more quickly.

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Real-life examples

1 - «You are in the process of buying all or part of a company and/or its trademark portfolio».

- Check whether the domain names attached to the company and/or trademarks have been reserved or not;
- If yes, include a clause which also turns them over to you for your use;
- If no domain name has been reserved, include a clause forbidding the former holder from registering them.

2 - «Third parties with whom you are developing or planning to develop a sales relationship have reserved or are likely to want to reserve a domain name including one of your trademarks»

During negotiations:

- Identify in the agreement the distinctive signs you are providing, such as trademarks or domain names.
- Specify the uses you authorise (e.g. using the domain name that includes the trademark).
- Include a clause in the agreement forbidding the concession holder or partner from registering the trademarks and corresponding domain names.
- Plan for a clause that requires that any domain names or trademarks that were fraudulently reserved or registered by the concession holder or partner be transferred or deleted.

If you have a sales relationship:

- Point out to your partner the illegality of this behaviour, and ask the partner to transfer the domain name to you or to delete it (for example, if the domain name associates your trademark and the partner's trading name).

If the partner refuses:

- depending on your sales policy regarding your distributors, suggest redirecting your partner's domain name to your website on which the partner would be mentioned,
- undertake administrative proceedings to obtain the transfer or deletion of the domain name.

3 - «You have a tentative name for a new product or company»

- Check whether there are any existing trademarks whose holders could oppose 1) your registration of your trademark, 2) the operation of your trading name, or 3) your reservation of your domain name.
- Check that there are no companies with identical or similar activities to those which would be carried out under your trademark or company name or which would be outlined on the site pointed to by the domain name, and whose identical or similar trading name might precede the trademark or domain name chosen.
- Check whether domain names corresponding to your trading name and chosen name have already been reserved by third parties:
 - If not, immediately reserve the domain name for your benefit (ideally, the domain name holder should be the trademark holder, if a trademark exists).
 - If yes, consult the website(s) to which this/these domain name(s) point(s), to check whether the business carried out under this/these name(s) is identical or similar to your own. If it is, you cannot reserve the domain name that corresponds to your trading name. If you reserve a variation (e.g. another extension, or a plural instead of a singular), the holder(s) of the domain name(s) could prohibit you from doing so, demand the deletion or transfer of the domain name to them, and/or sue you for unfair competition.

Conclusion

This Special Report is mainly designed to inform companies of all sizes of the benefits they can derive from managing their trademarks and domain names in a consistent fashion. In addition to the aspects discussed, which focus on legal issues, the stakes in terms of added value for domain names are sometimes rather high. Like trademarks, domain names are intangible assets which must not be ignored as an element of goodwill of the companies that hold them.

Find out more



AFNIC is the French Registry for the *.fr* and *.re* domain names in particular (the country code top-level domains for France and Reunion Island).

AFNIC is also positioned as a provider of technical solutions and services for registries and registrars. AFNIC (the French Network Information Centre) comprises public and private stakeholders, including government authorities, users, and Internet service providers (Registrars). It is a non-profit organisation.

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