

CONVERGENCE

STEPTOE & JOHNSON'S TELECOMS, E-COMMERCE AND IT NEWSLETTER

STEPTOE & JOHNSON

Issue 15

July 2002

STATE OF PLAY FOR E-COMMERCE DIRECTIVE

The UK Government is soon to implement the EU eCommerce Directive 2000/31/EC (the "eCommerce Directive"), governing many aspects of how business and services are conducted online. If you or your business design or operate e-commerce applications, market or advertise on-line, provide services or conduct any part of your business over the Internet, the new regulations will likely apply to you.

In a move to harmonize the rules governing e-commerce practice in its 15 Member States, the EU enacted the eCommerce Directive on June 8, 2000. Implementation of the Directive was due by January 17, 2002, but virtually all of the Member States failed to meet the deadline. The UK has prepared draft laws but not formally notified them to the European Commission (EC).

The eCommerce Directive aims to ensure that information society services benefit from the Internal Market principles of free movement of services and freedom of establishment, and provides harmonized rules so that businesses and citizens can supply and receive information society services throughout the EU, regardless of frontiers. The Directive includes:

- requirements regarding the role of national authorities and country of origin rule;
- transparency requirements for web-based services;
- principles relating to contracting online;
- limitations of liability for Internet intermediaries; and
- encouragement for codes of conduct, including online-dispute settlement.

On March 7, 2002, the UK Department of Trade and Industry circulated a draft of its Electronic Commerce (EC Directive) Regulations 2002 (the "Regulations") and launched a consultation. The consultation closed on

May 2, 2002, but a second consultation is now underway seeking views -- due by July 5, 2002 -- on the consumer protection elements of the draft Regulations, which are proposed to be implemented under the UK's "Stop Now" consumer protection regime. The Regulations will allow the Director General of Fair Trading and other consumer-protection bodies to apply to courts for a Stop Now order when there is a violation of rights established in the new Regulations that harms the interests of consumers.

More generally, the draft Regulations follow closely the text of the eCommerce Directive. Under the Regulations, a service provider must make certain basic information about itself "easily, directly and permanently accessible." Commercial communications must be clearly identifiable as such. The draft Regulations do not impose a general obligation on service providers to monitor the information they transmit or store or to actively seek facts or circumstances indicating illegal activity. Rather than mirror the express exclusion of this duty in the eCommerce Directive, the draft Regulations are silent on the subject. Concerning service provider liability for third party content in respect of caching, hosting or acting as a "mere conduit," the Regulations provide generally that service providers are not liable for damages and are accorded a specific defence to criminal liability, provided the provider does not have "actual knowledge" of unlawful content or, if becoming aware, "acts expeditiously" to remove it. Neither the Regulations nor the accompanying Guidance provides clear definition of "actual knowledge" or "acting expeditiously."

The draft Regulations confirm that businesses located in the UK but providing services across borders within the EU are governed by applicable UK law, in accordance with the country of origin principle. Likewise, the Regulations provide that, where an

inbound service falls within the "coordinated field," UK laws which would restrict the service may not be applied. There are important derogations from this country of origin principle in relation to public policy, health, security and consumer protection. The Regulation gives the courts power to invalidate laws imposing restrictions; however, it is unclear exactly how the courts will determine what is a restriction.

Links:

Draft Regulations, guidance for business & further information at http://www.dti.gov.uk/cii/e-commerce/europeanpolicy/e-commerce_directive.shtml;

E-Commerce Directive is available at http://europa.eu.int/eur-lex/en/lif/dat/2000/en_300L0031.html;

DTI's original consultation document is available at http://www.dti.gov.uk/cii/e-commerce/europeanpolicy/arch_condoc.shtml;

A summary of responses to the original consultation is available at http://www.dti.gov.uk/cii/e-commerce/europeanpolicy/edirec_resp.shtml

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Inside this issue:

| | |
|---------------------------|-----|
| ECommerce Directive | 1 |
| Ralph Lauren Domain Names | 2-3 |
| Rome II | 3 |
| Fax Marketeers | 4 |
| Draft Communications Bill | 4 |

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RALPH LAUREN LOSES STRING OF UDRP CASES SHOWING DIFFICULTY PROVING BAD FAITH FOR HIGHLY DISTINCTIVE NAMES

Just when we might expect some consistency to be emerging in decisions issued under the Uniform Domain Name Dispute Resolution Policy ("UDRP"), a string of new controversial decisions re-emphasize the need to carefully assess each potential claim *before* submitting it and to meticulously prepare the complaint and supporting evidence when filing a claim under the UDRP.

In three recent cases, three different panellists for the World Intellectual Property Organization ("WIPO") rejected attempts by PRL USA Holdings Inc -- the owner of well-known clothing and fashion brands and the registered trademarks "POLO BY RALPH LAUREN", "POLO", and "RALPH LAUREN" ("Ralph Lauren") -- to recover the domain names "polo-ralph-lauren.com", "polo-style.com", "ralphlaurensheets.com", "ralphlaurensheets.net", and "polo-home.com." (See *WIPO Case Nos. D2002-0148, April 29, 2002, D2002-0250, May 22, 2002 and D2002-0314 May 31, 2002*).

At first glance, one might assume that each of these domain names, distinctive on its face, could only be legitimately held by Ralph Lauren, and therefore the names would pose relatively "easy" cases to prosecute under the UDRP. For example, in the case involving polo-ralph-lauren.com and polo-style.com, the WIPO panellist recognised that the domain names at issue were confusingly similar to the Ralph Lauren's trademarks and that adverse inferences could be drawn, given the respondent's failure to respond to the allegations that it had no legitimate interests in respect of the contested domain names. The panellist, nevertheless, found that Ralph Lauren had "failed to make any factual allegations as to nature of use" of the disputed domain names. Further, the "complainant failed to allege that the respondent was not using the domain names at issue, and that such non-use and other factors constituted bad faith inaction". The panellist's own investigation led to a finding that the domain names all resolved to Ralph Lauren's website at www.polo.com. He subsequently dismissed the claim for failure to prove that the domain names in dispute were being used in bad faith.

In the second case, a second panellist re-emphasized the "dual requirement" in the UDRP

that a complainant must establish that the domain name "has been registered *and* is being used in bad faith". UDRP paragraph 4(a). Both elements must be present. The panellist stated further the:-

"fact that a mark is famous is not proof, of itself, that the registration was made or used in bad faith. It simply denotes the likelihood of an awareness of the mark and no more".

While this reasoning resulted in a decision that is arguably inconsistent with other decisions issued under the UDRP, it highlights that a careful assessment that must be made before filing a UDRP claim, particularly when confronted by a respondent who is merely "passively" holding the domain name registration.

Paragraph 4(b) of the UDRP identifies circumstances that can be considered "evidence of the registration and use of a domain name in bad faith". Only one of these circumstances actually contemplates a *positive* post-registration action, that is, the use of the domain name in an effort to attract, for commercial gain, Internet users to a competing website. Other circumstances illustrating forms of "bad faith" recognise there can be both action or *inaction*, such as passive holding of the domain name registration. For example, passive holding can arise in the context of a registration which is demonstrated to be primarily for the purpose of selling, renting or transferring for a profit or for the purpose of disrupting the business of a competitor, and consideration can also be given to the fact that the domain name holder has engaged in a pattern of conduct registering names that effectively block trademark owners.

In the early decision, *Telstra Corporation Ltd v. Nuclear Marshmallows*, WIPO Case No. D2000-0003 (February 18, 2000), the panellist analysing the circumstances involving "telstra.org", concluded that the "passive holding" of the domain name amounted to the respondent acting in bad faith. The complainant had a reputable and widely known trademark, just as in the Ralph Lauren cases. The respondent had not responded to the complaint, thereby failing to provide any evidence of actual or contemplated use of the domain name in good faith. The respondent had further taken

active steps to conceal its true identity by providing false contact details.

In the third Ralph Lauren case, the respondent, whose name was Polo Ung, succeeded in contending that "polo-home.com" was for a non-commercial family web site, corresponding to his Christian name. The panellist stated that the burden was on Ralph Lauren to address these issues, but it "has not done so".

The Ralph Lauren cases emphasize the care that must be given to each UDRP claim. It appears that Ralph Lauren failed to make any factual allegations as to the Respondent's passive holding or non-use of the domain names, or, with respect to polo-home.com, failed to explain why the use of the name was not legitimate. Investigation into the circumstances and a more detailed account and evidence might have aided Ralph Lauren's claims. However its failure to take these steps opened the door for the panellists to rule that it had failed to prove bad faith. The cases serve a clear warning: assuming that highly distinctive domain names can

only be legitimately held by the trademark owner is not sufficient. While an overly technical reading of the UDRP, at least for the first two of the cases above, may not be consistent with the intended spirit of the UDRP, these cases nevertheless emphasize the importance of ensuring that a complaint properly and fully sets out all allegations relevant to or required for establishing a case under the UDRP, and that the claim should also contain all information and supporting evidence to substantiate the allegations which are made.

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RAMIFICATIONS OF ROME II

The European Commission has released a draft Regulation which would treat internet and non-internet commerce in opposite ways. The new draft of 3 May 2002, Rome II, would mean a departure from the "country of origin" principle set out in the E-Commerce Directive. Rome II follows the Commission's revision of the Brussels Regulation in 2000. The draft Rome II Regulation aims to harmonise the rules regarding the settling of disputes using the laws of the country where the default took place. This "country of destination" principle has received strident criticism from business executives due to the unfair competition laws in some member states, such as Sweden's ban on advertising aimed at children and Germany's prohibition on aggressive promotional techniques, for example "two for the price of one" offers. Publishers also have cause for concern because of the wide variations in libel laws across member states.

The Commission proposes that the new Regulation should not apply to industries in which the European Union has already set different cross-border rules (as set out in Article 23 of the Regulation). Since the EU has already adopted the E-Commerce Directive, which states that the laws of the country where the supplier or web site is situated should apply in disputes, e-commerce would be exempt. The television industry would also be exempt from the new law because of the existing TV Without Frontiers Directive, which likewise ascribes to the "country of origin" principle for the settling of cross-border disputes. The "carve out" for e-commerce and television for Rome II is good news, but marketing companies and publishers still have to worry about the defamation and unfair competition clauses. The outcome is a situation where internet and non-internet commerce would be treated differently.

The release of the draft begins a consultation period. The deadline for comments is 15 September 2002.

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Data protection- fax marketers face action from Information Commissioner

Companies that have been sending unsolicited faxes in breach of the Telecommunications (Data Protection and Privacy) Regulations 1999 have received an Enforcement Notice from the Information Commissioner, requiring the companies in question to comply with the Regulations within 28 days. Failure to do so is a criminal offence, punishable by a fine. The Regulations preclude the sending of marketing faxes to individuals without their prior consent. Further information on the Telecommunications (Data Protection and Privacy) Regulations 1999 is available at www.informationcommissioner.gov.uk.

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GOVERNMENT PUBLISHES DRAFT COMMUNICATIONS BILL

The eagerly awaited draft Communications Bill (the "Bill") was published on 7 May 2002, heralding a new era of media regulation. The Bill will fundamentally change the way telecoms, broadcasting and spectrum management is regulated in the UK.

Under the Bill, the Office for Communications (OFCOM) will replace the Office of Telecommunications (Ofcom), the Independent Television Commission, the Radio Authority, the Broadcasting Standards Commission and the Radiocommunications Agency. The Bill introduces a variety of legal changes including:- (1) a transfer of functions from the existing regulators to OFCOM, (2) the streamlining of the communications licensing regime, (3) a spectrum trading regime, and (4) a revised approach to broadcast regulation. OFCOM's powers will run concurrently with those of the Office of Fair Trading to use the Competition Act 1988 to refer monopolies to the Competition Commission under the Fair Trading Act. OFCOM will also be responsible for the establishment and maintenance of a Content Board and Consumer Panel to monitor quality in television and radio programming. Internet content regulation will however remain outside of OFCOM's remit.

Another significant change is the removal of the licensing requirement for telecommunication systems which currently exists under section 7 of the Telecommunications Act 1984. This will be replaced by a general authorisation to provide electronic communications networks and services.

However, if a particular network or service has been "designated" by OFCOM, that company must notify OFCOM prior to starting operations. The Bill makes provision to allow spectrum trading for Wireless Telegraphy Act licences and introduces a new concept of Recognised Spectrum Access which will provide a mechanism for conferring formal recognition for spectrum planning purposes on services, such as satellite downlinks which are currently unlicensed. In the future, it is possible that charges will be imposed for this spectrum access. In return, the interests of spectrum users will be taken into account in assessing harmful interference.

The Bill will reform rules on media ownership and put in place a more coherent and flexible structure for broadcasting regulations.

In sum, the Bill aims to keep regulation to a minimum to reflect the changing nature of media and communications. The Department of Trade and Industry has issued a consultation on the Bill, which ends on 3 August 2002. The Bill will also be scrutinised by a joint committee of the House of Commons and the House of Lords.

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