

Bills Committee on Trade Marks Bill

Trade Marks Bill and the Issue of “Cyber-squatting”

Introduction

At the request of the Bills Committee at its meeting on 21 February 2000, this note sets out the relationship between trade marks and the registration and protection of Internet “domain names”.

Domain Names

2. One of the well-known features of the Internet, the “World Wide Web” (WWW) permits users anywhere in the world to access materials or interact with electronic commerce services. Trade in goods and services via the WWW is the fastest-growing sector of commercial activities today.

3. One of the prerequisites of a successful commercial presence on the WWW is that potential customers know a web-site by an easily remembered name. The names used for locating sites on the WWW are called “domain names”. Domain names serve a function for web-sites very similar to the role that a trade mark plays for an ordinary business outside the Internet.

4. Domain names have a fixed layout consisting of short strings of text separated by dots (for example ‘ecommerce.com’) -

- (i) Part of this conventional layout denotes the sort of activity the proprietor of the website is engaged in (e.g. “.com” for “commercial”, “.gov” for ‘government’, “.edu” for “educational” and “.int” for ‘international institutions’.)
- (ii) Another part of the domain name (which is often present but is not compulsory) denotes the country in which the website resides (e.g. “.hk” for Hong Kong, “.cn” for China or “.kr” for Korea.)

- (iii) The distinctive part of the domain name is a single string of letters (or Chinese characters) such as “myname.com”)

Getting a Domain Name

5. Historically, the first major area of Internet development was the United States and a US Government department undertook the job of allocating domain names. Later, through an international agreement, commercial or government organisations in different countries or economies allocated domain names for websites within their jurisdictions.

6. Normally, a person applying for a domain name does the whole transaction over the Internet and the whole process is automated. The applicant suggests a name; a computer looks it up against a database of existing names; if the computer does not find an exact match it informs the applicant that the name is “available” and then completes the registration procedure and bills the applicant.

“Cyber-squatting”

7. Cyber-squatting is an abuse of the process of securing a domain name on the Internet. It arises for two main reasons -

- (i) a company with a reputation in trade is slow to apply for its own name to be registered as a domain name. Someone else makes a successful application for the company’s name in the meantime, and then demands a fee from the company to relinquish the domain name; or
- (ii) a company registers its name as a domain name, and another person (wittingly or otherwise) registers a very similar name and then seeks payment to relinquish it.

8. Sometimes the reverse process occurs: an innocent individual obtains a domain name (perhaps his own surname) for a *bona fide* trading purpose and is then threatened with legal action by a large company who believes the innocent domain name is against its interest. This situation is sometimes called “reverse hijacking”.

Trade Marks

9. The trade mark system has evolved out of a much longer historical process. The applicant for a trade mark can apply for a written name or a graphical logo (or in some cases, a scent or sound recorded in graphical form). In most jurisdictions, the application will be considered against two criteria -

- (i) does the law allow the mark to be registered (e.g. does it mislead the public about the quality or origin of the goods? Is it just an ordinary word describing the goods or services of the applicant?); and
- (ii) does the mark clash with an existing mark on the trade mark register, or with an internationally well-known mark?

10. A trade mark application is considered in the context of a specific class of goods and services. For example, an application for a mark for leather-wear might be registered even though there is a similar or identical mark registered for banking services. For this reason, every trade mark application is for registration in one or more classes of goods or services.

Differences between Trade Mark and Domain Name Applications

11. The following table sets out three main differences between trade marks and domain names -

Domain names	Trade marks
A domain name does not clash with a previously registered name as long as it is not identical. The concept is very simple and a computer can do the check without human intervention.	A trade mark would clash with a previously registered mark if it were similar enough to mislead the consumer about the source of the goods or services. This concept is sophisticated and supported by much, complex case law; special training and human judgement are necessary to apply it.

<p>A domain name can describe the property of the goods or services it is registered for, e.g. “freshbread.com” for a bakery.</p>	<p>A trade mark must not simply be a property normally associated with the goods or services for which it is registered. “Fresh Bread” is not an allowable trade mark for bakery products (although it would be fine for clothing.)</p>
<p>A domain name does not get registered against a specific class of goods and services.</p>	<p>Trade marks are registered for classes of goods and services: an application that clashes with a registered mark in one class may be allowed into another class if it does not mislead.</p>

Will the Trade Marks Bill address the problem of Cyber-squatting?

12. If a person registers a domain name in Hong Kong and uses it for business on the Internet in a way which deliberately misleads the public that his Internet goods come from the proprietor of a registered trade mark, he would be committing an offence under section 9 of the Trade Descriptions Ordinance (Cap. 362). It is immaterial for the purpose of the law whether or not the offence is committed using the Internet. At the same time, Internet trading using a domain name identical or misleadingly similar to a registered trade mark would leave the trader open to legal action for trade mark infringement under the Trade Marks Bill.

13. Lastly, Internet trading which takes unfair advantage of the trading reputation of another person (who has a trade reputation in Hong Kong) and thus causes losses to the other person, could also leave the trader open to civil action for the tort of passing off.

14. It can be seen from the above that the Trade Marks Bill and other statutory or common law provisions protect traders against cyber-squatting.

Trade and Industry Bureau
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[d1/22/cybersquatting]