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TYPOSQUATTING AND THE .EU TOP-LEVEL DOMAIN

Introduction

Imagine a small yet successful business in custom-made T-shirts. They have obtained the trademark “funkfashion” and they sell their products online through the website “funkfashion.eu”. Business is booming and online orders are coming in on a steady daily basis. One day however, consumer e-mails start pouring in, complaining their web browser was spammed with pornographic pop-ups upon visiting the website “funkfaschion.eu”.

The above is a classical example of what is known as typosquatting, the in bad-faith registration and occupation of domain names similar to well-known names or trademarks. In result, by relying on typographical or other errors made by internet users inputting the website address in their browser the typosquatter will divert user traffic from the owner of the –in most cases frequently visited- website. This paper examines the legal assessment of typosquatting within the context of the .eu top-level domain.

Part I of the paper outlines the origins of typosquatting and it identifies the benefits of registering a domain similar to a well-known trademark or name to typosquatters. It also briefly evaluates potential detrimental effects of typosquatting for consumers and legitimate businesses. Part II then adresses how the launch of the .eu top-level domain anticipated cybersquatting by allowing the holders of a prior right to a name to register the matching .eu domain during phased registration. I assess whether the phased registration also permitted preventive registering of domains likely to be subject of typosquatting. Part III goes on to describe the alternative dispute resolution mechanism in EC Regulation 874/2004. In conclusion, I argue that typosquatting is sufficiently remedied by the EU regulations on the .eu domain, and I suggest a diligent and pro-active domain registering approach to holders of valuable trademark portfolios.

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I. TYPOSQUATTING

1.1. Terminology and setting

Every computer connected to the internet is assigned a unique Internet Protocol (“IP”) address which allows communication with other connected pc’s, very much like a phone number. Because an IP-address is a long string of numbers which is hard to remember, unique domain names are assigned to IP-addresses, thus permitting easier access to websites and mail servers.¹

A simple website’s domain name or Uniform Resource Locator (“URL”) is typically comprised of three consecutive parts: the mention “www.”, a second-level domain name (“SLD”) and finally a suffix indicating the top-level domain (“TLD”) such as .com, .org or .eu. For example, in the domain name www.ije.net, “ije” is the second-level domain name and “.net” is the top-level domain. The entirety of domain names is primarily subdivided in a numerus clausus of TLDs² wherein second-level domains can be claimed. Within every TLD a second-level domain name is usually unique³, but an identical second-level domain can be registered in a different TLD. Within the SLD further subdomains are possible, which are then be labelled third-level, fourth-level and so on.⁴

SLDs within a certain TLD are to be registered with an accredited domain name registrar.⁵ As multiple parties might have a legitimate interest in the same domain name, SLDs are generally accorded on a first-come, first-served basis. This principle led to speculators with no specific right to a domain name registering names of existing businesses with the intent of selling it for a sometimes exorbitant profit to those businesses, or to attract internet users to their website.

This speculative domain name registering became commonly known as *cybersquatting* or URL hijacking. One of the more controversial examples in this respect is the whitehouse.com page which directed users (who most likely wished to visit the US Administration website at whitehouse.gov) to a site containing pornographic material,⁶

Typosquatting is a similar process, only here does the registrant claim domain names which are common misspellings of the popular trademark or name. The registrant then relies on typographical or other errors made by internet users when inputting a website in their browser, to attract user traffic. The remainder of this paper will focus on problems arising out of typosquatting.

¹ The assignment of domain names to IP-addresses is made possible by the Domain-Name-System or DNS, <http://www.icann.org/faq/#dns>

² An exhaustive list of the top-level domain names or TLDs is available at <http://data.iana.org/TLD/tlds-alpha-by-domain.txt>. Within the top-level domains, one can distinguish two-letter country-code TLDs or ccTLDs (for a list see <http://www.iana.org/root-whois/index.html>) and generic TLDs or gTLDs (for a list see <http://www.iana.org/gtld/gtld.htm>).

³ With the exception of some ccTLDs which are subdivided in generic TLDs. For example, in the United Kingdom commercial sites often have the “.co.uk” extension, whereby .co is a generic second-level domain. The unique term a registrant will then acquire is a third-level domain.

⁴ For example, within the domain www.example.com, subdomains such as “mail.example.com” or “username.example.com” are possible where “mail” and “username” will then be labelled third-level domains.

⁵ For a list of accredited domain name registrars for the .eu TLD, see <http://list.eurid.eu/registrars/ListRegistrars.htm?lang=en>

⁶ PELLINE, J, “White House in porn domain dispute”, 1998, available online at <http://news.com.com/2100-1023-207793.html>.

1.2. *Economic benefits for squatters*

Economically speaking, typosquatters are *freeriding* on the goodwill and the reputation of trademarks and well-known names. They do not contribute to the investments made by companies or website holders to acquire said goodwill or reputation, yet they try to reap the benefits thereof.⁷ Indeed, registering a domain name which is very similar to a well-known trademark can generate a lot of revenue. In the case of cybersquatting, most cases reveal that the intent of the registrant is to sell the domain name to the trademark holder at an exorbitant price. Many a trademark holder would accommodate cybersquatters (and even typosquatters) by buying the domain name simply to avoid litigation costs and delays.

A second possible income out of a domain name very similar to a well-known trademark or name is advertising revenues. A 2005 survey by Pricewaterhouse Coopers revealed that internet advertising accounted for 4.7 percent of the total U.S. ad spending, thereby projecting significant growth in the future.⁸ Many advertising companies offer a pay-per-click compensation for online advertisements, whereby the website owner's revenue out of the advertisement will be determined by the amount of user clicks. A typosquatter will therefore generally want users that are accidentally visiting his domain to click the ads displayed on his website as much as possible. Quite often, this implies the website will try to lock-in visitors by opening consecutive pop-up windows when the visitor tries to leave the site. This technique is known as *mousetrapping*. Although nowadays most web browser software packages include a pop-up blocker to prevent this type of lock-in⁹, ad-technology companies are constantly developing new techniques to work around these blocking tools.¹⁰

1.3. *Potential detrimental effects of typosquatting*

Freeriding a non-depletable good such as the reputation of a trademark might not be so much of a problem if it were not for its negative effects. In the case of typosquatting, such negative effects are very likely to occur. Firstly, the reputation of the trademark or the company might suffer from association with the squatted domain. This is especially true when the squatted domain refers users to competing yet inferior products (such as pharmaceuticals), as a squatted domain will often house a site with sponsored links to related products (a process known as *domain parking*). The typosquatter might also use the domain name to publish defamatory information relating to the company or its products, or to link to pornographic material.

This leads to a secondary category of negative effects: bad experiences on-line can cause harm to internet users and their equipment. A simple typographical error can lead to children being exposed to illicit sexual images or computers being infected with malicious software. In the above example of pharmaceuticals, consumers may be led to believe they are ordering accredited products while in reality they are acquiring inferior, potentially harmful medicinal products. On the

⁷ M. LEMLEY, "Property, Intellectual Property and Free Riding", Stanford Law and Economics Working paper nr. 291, available online at <http://ssrn.com/abstract=582602>

⁸ Pricewaterhouse Coopers LLP, *IAB Internet Advertising Revenue Report*, available online at http://www.iab.net/resources/adrevenue/pdf/IAB_PwC_2005.pdf

⁹ In the latest version of its Internet Explorer browser, Microsoft has set Pop-up Blocker turned on by default, see http://www.microsoft.com/windows/ie/ie7/privacy/ieprivacy_pr7.msp

¹⁰ S.OLSEN, "Can't stop the pop-ups", available online at http://news.com.com/Cant+stop+the+pop-ups/2100-1024_3-5226273.html

larger scheme, these practices can significantly undermine consumer confidence in on-line transactions. The rest of this paper will investigate how the European regulator has attempted to effectively remedy typosquatting in the .eu TLD.

II. ANTICIPATING (TYPO?)SQUATTING: THE .EU PHASED REGISTRATION

2.1. Regulatory framework

The EC regulation on the implementation of the .eu top level domain was adopted on 22 April 2002.¹¹ In May 2003, the Commission designated the European Registry for Internet Domains (“EURID”) as the entity responsible for the organization and the management of the .eu TLD after consultation with the EU Member States.¹² The Commission then issued a regulation to lay down public policy rules concerning the TLD and the principles governing its registration procedure on 28 April 2004¹³, which it amended on 10 October 2005¹⁴ to adjust the reservation of domain names by Member States.

Before the public launch of the TLD in December 2005, Member States and candidate Member States were given the opportunity to exclude geographical, geopolitical and country names as well as alpha-2 codes¹⁵ designating countries from registration. The Commission has also claimed names of European institutions and bodies; and finally article 17 of Regulation 874/2004 provides a list of names which are reserved for the operational functions of EURiD. As soon as these domains had been reserved, the .eu domain was launched in December 2005.

2.2. Phased registration

For an initial period which lasted from December 2005 to April 2006, applications were subject to phased registration (Article 10 Regulation 874/2004). This implies that during the so-called Sunrise period, only holders and licensees of a prior right recognised by national or Community law and public institutions were entitled to apply for registration. In either case, article 4.2 (b) of Regulation 733/2002 limits eligibility to register .eu domains to:

- (i) *undertakings that have their registered office, central administration or principle place of business within the Community*
- (ii) *organisations established within the Community without prejudice to the application of national law*
- (iii) *natural persons resident within the Community*

¹¹ Regulation (EC) No. 733/2002 of the European Parliament and of the Council of 22 April 2002 on the implementation of the .eu Top Level Domain, *Official Journal L113*, 30 April 2002, p.1

¹² Commission Decision of 21 May 2003 on the designation of the “.eu” Top Level Domain Registry, *Official Journal L128*, 24 May 2003

¹³ Commission Regulation (EC) No. 874/2004 of 28 April 2004 laying down public policy rules concerning the implementation and functions of the .eu Top Level Domain and the principles governing registration, *Official Journal L162*, 30 April 2004, p.40

¹⁴ Commission Regulation (EC) No. 1654/2005 of 10 October 2005 amending Regulation (EC) 874/2004 laying down public policy rules concerning the implementation and functions of the .eu Top Level Domain and the principles governing registration, *Official Journal L266*, 11 October 2005, p.35

¹⁵ Alpha-2 codes are two-letter abbreviations designating countries, as established by ISO, see <http://www.iso.org/iso/en/prods-services/iso3166ma/02iso-3166-code-lists/list-en1.html>

Article 11 of Regulation 874/2004 further outlines that the Sunrise period which lasted 4 months was to be divided in 2 periods. During the first half, only registered national or Community trademarks, geographical indications and the full name or generally used acronym of a public body could be applied for as domain names. The second phase also opened applications to holders of the other prior rights described in article 10.1. Within the Sunrise period applications were treated on a first-come-first-served basis, applicants were required to include a reference to the legal basis of the right to the name in national or Community law and needed to submit evidence showing their entitlement to the name within 40 days of application.

2.3. *No solution for typosquatting*

The phased registration procedure was installed to allow holders of a prior right to a name to pre-emptively register the corresponding domain. Undertakings and natural persons could thus avoid the unpleasant experience of having to buy their domain name from a cybersquatter or to initiate proceedings to obtain the url. According to EURiD statistics, 245.908 unique names were applied for in 346.218 Sunrise applications.¹⁶ However, it has not accommodated companies or persons wishing to prevent typosquatting of a domain name confusingly similar to their trademark.

Article 10.2 of Regulation 874/2004 requires that the subject of a successful Sunrise application is the complete name for which the prior right exists, as written in the documentation which proves said right exists. If this name contained special characters, spaces or punctuation these were to be eliminated, replaced by a hyphen or rewritten, Characters with additional elements which cannot be reproduced in ASCII code (such as é, ä or ê) were to be reproduced without those elements. Save for these limited exceptions, article 11 requires that the domain name was *identical* to the word or text elements of the prior right name¹⁷, thus excluding the possibility to register names confusingly similar to the name.¹⁸

One could nonetheless imagine a procedure with a third Sunrise period wherein companies wishing to avoid typosquatting could apply for domain names very similar to their trademarked name. Such a procedure would however have posed various difficulties.

Firstly, it would have been very difficult for the registry to decide which names were “confusingly” similar and could be registered. The amount of typosquatting combinations can –especially in the case of long domain names- lead to hundreds of applications, which would have to be investigated individually. The policy might also have backfired: a registrant who quickly registered the trademark “coca cola” might have gotten his hands on a valuable domain such as “www.cocacola.eu”.

¹⁶ EURiD (ed.), “The EU Domain: 2006”, available online at http://www.eurid.eu/images/Documents/Quarterly_reports/eurid%5C%27s%20quarterly_4_web.pdf, p.12

¹⁷ ADR Decision nr. 00265, Microsoft B.V. v. EURiD (LIVE) ; annulling the decision of EURiD not to refuse the registration of the domain LIVE.eu to the holder of the trademark LI&VE during the Sunrise period; available online at http://www.adreu.eurid.eu/adr/decisions/decision.php?dispute_id=265 ;
ADR Decision nr.00499, Grundfos v. EURiD (GRUNFOS), available online at http://www.adr.eu/adr/decisions/decision.php?dispute_id=499

¹⁸ In the .mobi gTLD which was also recently launched, sunrise applications are limited to the exact wording of a trademark in article 4.2, ii of the Sunrise Challenge Policy, available online at <http://pc.mtld.mobi/documents/Sunrise-Challenge-Policy.pdf>

Secondly, this system might also have granted an unfair advantage to trademark holders in comparison to other registrants with a legitimate interest –but not a prior right- to a name, which would unrightfully broaden the scope of the protected rights in article 10.1 of Regulation 874/2004. In the next part, I assess how typosquatting was dealt with after the landrush.

III. THE ADR PROCEDURE AND TYPOSQUATTING

3.1. Procedure

Similar to ICANN’s Uniform Domain Name Dispute Resolution Policy (“UDRP”)¹⁹, the EC regulator has opted to install an alternative dispute resolution (“ADR”) procedure to tackle the issue of abusive or speculative registrations of domains within the .eu TLD. EURiD has designated the Prague-based Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic as the ADR provider.²⁰ Article 22.2 of Regulation 874/2004 makes participation in the ADR procedure compulsory for all .eu domain holders and EURiD. Article 22.10 further states that failure to respond within given deadlines or to appear to a panel hearing may be considered as grounds to accept the claims of the counterparty.

The procedure during the course of which EURiD will suspend cancellation or transfer of the domain facilitates a timely and effective resolution for domain disputes,²¹ but it does not restrict the jurisdiction of ordinary courts. Article 21.4 of Regulation 874/2004 allows both respondent and complainant to start proceedings before ordinary courts, even after an award has been serviced by the Czech Arbitration Court. This will in my view not affect the ADR procedure’s potential to quickly remedy clear-cut cases of typo- or cybersquatting, as a judicial procedure will no doubt constitute too high a threshold for registrants with a dubious entitlement to a name. Indeed, registrants often do not even bother to reply to claims in the ADR procedure.²² Furthermore, the wording of article 21.4 of Regulation 874/2004 implies that national courts of Member States are equally required to apply the substantive law provisions of article 21 in regards to .eu domain name disputes.²³

Pursuant to article 22.4 of Regulation 874/2004 the language of the ADR proceedings will be the language of the registration agreement which according to article 6 is possible in all official EC languages. However, as UDRP practice has shown that cyber- and typosquatters often use languages which make communication difficult and more costly²⁴, article 22.4 provides that the ADR panel can determine otherwise in the light of the circumstances. The panel can consequently change the language of the proceedings in a preliminary decision following a request of the complainant. Regulation

¹⁹ Uniform Domain-Name Dispute-Resolution Policy, available online at <http://www.icann.org/udrp/udrp-policy-24oct99.htm>

²⁰ <http://www.adr.eu>

²¹ Article 22.11 gives the Panel 30 working days from the date of the *receipt of the response* to issue an award. BETTINGER criticizes this departure from the UDRP, where the decision is to be taken within 30 days starting from the *appointment of the panel*. According to BETTINGER, the .eu regulation leaves the panel too little time to appoint an impartial panel and to render a decision. See T.BETTINGER (ed.), *Domain Name Law and Practice: an international handbook*, Oxford, 2005, Oxford University Press, p.1144, IIIB.10

²² ADR Decision Nr. 03292, Google Ireland v. Stefan Kraayema (EGOOGLE, E-GOOGLE), available online at http://www.adreu.eurid.eu/adr/decisions/decision.php?dispute_id=3292 (Annexed with summary in English)

²³ T.BETTINGER (ed.), *supra*, p.1149, IIIB.32

²⁴ T.BETTINGER (ed.), *supra*, p.1149, IIIB.14

874/2004 does not offer substantive guidelines for panelists to decide on language and nor do the Czech court's .eu ADR rules.^{25 26}

3.2. *Speculative and abusive registrations*

In order to successfully obtain revocation of a registered domain, article 21.1 of Regulation 874/2004 requires that the complainant establishes that the domain name is identical or confusingly similar to a name in respect of which a right is recognised or established by national and/or Community law such as the rights mentioned in Article 10.1 and that it

- (i) has been registered by its holder without rights or legitimate interests in the name, OR
- (ii) has been registered or is being used in bad faith

The criterion of confusing similarity does not –as in trademark law- refer to confusion as to the origin of the products or services offered but instead requires a comparison of the name in which a right exists and the registered domain name. Primary .eu arbitration cases²⁷ thereby follow established UDRP case law.²⁸ Under Regulation 874/2004, cancellation of a domain can be obtained when either a lack of right or legitimate interest (article 21.1(a)) or when use or registration in bad faith can be demonstrated (article 21.1(b)), whereas paragraph 4(a) of the UDRP requires that both these conditions are present. The .eu regime thus sets a lower threshold for complainants, and it implicitly imposes a requirement of bona fide use of registered domains.²⁹

3.3. *Assessment*

Article 21.2 and 21.3 further provides a non-exhaustive list of circumstances to be taken into account to demonstrate a right or legitimate interest or bad-faith registration or use. In cases concerning blatant typosquatting, complainants will very likely find relief by relying upon an lack of right or legitimate interest as described in article 21.2, or upon the example in 21.3(d) which appears to be drafted with the specific situation in mind. In conclusion, the .eu ADR procedure thus appears an adequate tool to combat typosquatting. Regardless of the effectiveness of the ADR procedure however, the most cost-efficient solution for typosquatting is its anticipation. Arbitration fees can amount up to EURO 5930³⁰ for a single

²⁵ .eu Alternative Dispute Resolution rules, available online at

http://www.adreu.eurid.eu/html/en/adr/adr_rules/eu%20adr%20rules.pdf

²⁶ See for instance the preliminary decision in ADR case 03177 of SANOFI-AVENTIS v. M. Dejong, wherein the Panel decides to change the language of the proceedings from Dutch to English. The respondent is a resident of the Netherlands whilst complainant is a large pharmaceutical company, and the Panel deducts respondent's command of the English language from the mere fact he registered a domain name containing an English term; available online at

http://www.adreu.eurid.eu/html/en/adr/interim_decisions/03177B.pdf (annexed with a summary of the decision in English)

²⁷ ADR Decision Nr. 04089, Banca Intesa v. Dave Davies (BANCOINTESA), available online at

http://www.adreu.eurid.eu/adr/decisions/decision.php?dispute_id=4089;

ADR Decision Nr. 03292, Google Ireland v. Stefan Kraayema (EGOOGLE, E-GOOGLE), available online at

http://www.adreu.eurid.eu/adr/decisions/decision.php?dispute_id=3292 (Annexed with summary in English)

²⁸ T.BETTINGER (ed.), *supra*, p.1035, IIIA.230 refers inter alia to WIPO Case Nr. D2001-0932 (SYDNEYMARKETS.COM), Nr. D2001-1157 (CARSANDS.COM) and Nr. D2000-1698 (GUINNESS.COM)

²⁹ T.BETTINGER (ed.), *supra*, p. 1152, IIIB.45 and IIIB.46

³⁰ <http://www.adr.eu/html/en/adr/fees/fees.pdf>

domain name, not including representation costs. Depending on the registrar, a .eu domain name can be occupied for no more than EURO 50 per year.

In sectors with extensive trademark portfolios (such as pharmaceuticals, foodstuffs, consumer electronics and automobile) in-house counsels should thus raise awareness of this issue amongst their marketing departments. The development of new product marketing should immediately -and before any public announcement of the product name- trigger the reflex to register the corresponding domain name within the relevant gTLDs and ccTLDs. In the light of typosquatting, one should also assess the likelihood of speculative registering behaviour by third parties. In the case of key products the registry of the most common misspellings and likely derivations of the trademark (*defensive domain name registry*) is a strategy worth considering.³¹ Of course, this requires some guesswork and brainstorming. The chosen domains should then be redirected to the company or product website, which in my view constitutes a bona fide use wherein the registrant has a legitimate interest in the sense of article 21 of Regulation 874/2004.

IV. SUMMARY

The European regulator has taken the problems trademark (and other IP rights) holders face with the release of a new domain name into account. Before the opening of .eu registrations to the general public it granted holders of such a prior right a privileged position during the Sunrise periods. Because of the requirement of exact correspondence between the requested domain name and the name to which the applicant enjoyed a prior right, the phased registration did however not allow defensive registry of very similar domain names.

Typosquatting can however be remedied within the framework of the quick and cost-effective ADR procedure provided for in Regulation 874/2004. Even though the awards issued by the Czech Arbitration Court can be subjected to judicial scrutiny in Member States national courts, I find the ADR mechanism is a sound tool in the combating of cyber- and typosquatting. As a closing remark, I re-emphasise the need for companies wishing to protect commercially valuable IP portfolios to adapt a proactive domain name strategy so as to avoid disputes and reputation damage.

³¹ Johnson and Johnson was reported to have taken a pro-active approach to the registration of domains relating to their Splenda product. See <http://domainnamewire.com/2007/03/16/johnson-johnsons-splenda-domain-name-strategy/>