



Times of London story with e-commerce implications...

Ray Black and David Rose assess a decision which has huge implications for the Internet

Cyber squatting is made illegal

TO SOME it may seem to be nothing more than entrepreneurial zeal getting the better of major corporations; to others the illegal misappropriation of long-established rights.

However, the legality of registering well-known Internet domain names by third parties not connected to the owners (known as cyber squatting) has been outlawed by the Court of Appeal.

It is likely that when Richard Conway, 23, a television cameraman, and his business associate, Julian Nicholson, 24, began registering the domain names of well-known companies in 1996, they did not believe that their exploits would be scrutinised by the Court of Appeal.

But not all the brand owners whose names had been registered by the pair's company, One in a Million Limited, were prepared to stand by. Last September Marks & Spencer, Ladbrokes, J. Sainsbury, Virgin and British Telecommunications (and its Cellnet subsidiary) commenced proceedings for passing off and trademark infringement.

The brand owners prevailed in the High Court, and the defendants were prevented from using the offending domain names and ordered to pay a total of =A365,000 costs. They also had to transfer the names to the plaintiffs.

Nicholson and Conway appealed via a specialist team of intellectual property lawyers. At the appeal, the pair argued that registration of the well-known domain names, without use, was not illegal. The brand owners argued that registration of the domain names by the defendants amounted to the creation of instruments of fraud. They pointed to instances of the defendants requesting large sums of money from the brand owners whose domain names they had registered.

In one instance, Conway offered the domain name burgerking.co.uk to Burger King for =A325,000, saying that if the company did not take up the offer, the domain name would be available for sale to any other interested party.

The Court of Appeal concluded that the motive of the defendants was to use the goodwill generated by the brand owners, by threatening to sell names to others who might use them for passing off, or to extort money. The court said that the value of the domain names lay in the threat that they may be used in a fraudulent way.

The registrations therefore amounted to instruments of fraud. Accordingly, the High Court decision was upheld. Although it is the first domain name case in the UK courts, the principles upon which the Court of Appeal based its decision are not new.

The courts have, for many years, granted injunctions to prevent the creation and disposal of instruments of fraud. There have been several cases where well-known company names have been registered at Companies House prior to a company opening for business in the UK, or on the announcement of a merger.

The Court of Appeal decision is to be welcomed, confirming, for the first time at this level, the principles that have been laid down by the High Court over company name cases. It is now clear that the registration and offering for sale of well-known domain names (and the registration of company names or vanity telephone numbers) by third parties unconnected with those well-known names is unlawful and will be stopped by the courts.

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