

Use of registered trademarks in domain names - when and how to obtain seizure

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An Italian court has recently held that if a website wrongfully uses a registered trademark in its domain name, and if a court order is sought to require an Italian internet service provider (ISP) to block access to the website, such an order cannot be granted unless the applicant produces evidence of the website's illicit content or purpose. In order to block access to a website that offers counterfeit goods, a trademark holder must produce adequate evidence of the illicit activity carried out through the website.

Facts

On March 2011 a well-known clothing company filed a criminal complaint before the public prosecutor in Padua, seeking to obtain a seizure order in respect of nearly 500 websites with the word 'Moncler' in their domain names.

It claimed that the websites, which were mainly registered by natural persons resident in China and the United States, were used to organise large-scale trade in counterfeit goods. It further claimed that in addition to inflicting substantial financial losses on the company, the association between the registered trademark and the domain names posed a serious risk that a large number of consumers could be defrauded.

Moncler therefore sought preventive seizure of the websites, to be enforced by means of a court order requiring Italian ISPs to block the relevant websites so that internet users in Italy would be unable to access them.

On September 29 2011 the investigating judge approved the public prosecutor's request, issuing an order to almost all of Italy's ISPs (including Telecom Italia, Fastweb, Tiscali and Aruba) with the intention of preventing Italian users from accessing the relevant websites.

Italy's main ISP associations – Assoprovider and the Associazione Italiana Internet Provider – appealed to the Court of Padua.⁽¹⁾

¹ The investigating judge's role includes verifying decisions taken by the public prosecutor and issuing preventive orders. Pursuant to Section 309 of the Criminal Procedure Code, the decisions taken by an investigating judge may be appealed before the court by a re-examination judge.

Grounds of appeal

The appeal was based on three main arguments:

Violation of *numerus clausus* principle

According to the *numerus clausus* principle, preventive seizure can be granted only in specific cases, as provided by law. The decision in question did not take into consideration this fundamental principle of Italian criminal procedure. Imposing an obligation on the ISPs to do something (in this case, requiring them to block access to the websites in question) appeared to contradict this principle.

Violation of proportionality principle

The decision did not take into consideration the specific content of the disputed websites. The defendants argued that the seizure was granted merely on the basis that the domain names in question included the trademark at issue. No consideration had been given to the legal or illegal nature of the activities carried out through the websites. Indeed, many of the blocked websites were blogs, discussion forums or others user-generated content websites created by fans of the company, and were unconnected with illegal activities.

Absence of *fumus commissi delicti* and *periculum in mora*

The evidence collected by the public prosecutor and the trademark holder did not prove that counterfeit goods were sold or illegal activities were performed through the websites.

Decision

On November 4 2011 the court reviewed the previous decision and annulled the order for mass seizure.

The decision raises significant issues in relation to the enforcement of precautionary measures to prevent the dissemination of counterfeits online. The decision:

- recognised that the ISP associations had the power to request an annulment;
- clarified that the use of a registered trademark in a domain name, without more, does not constitute legitimate grounds for criminal seizure measures; and
- offered practical guidance for trademark holders that seek to block websites which sell counterfeit goods.

Standing of ISPs

For the first time in Italian case law, it has been recognised that ISP associations can obtain the annulment of a seizure order in respect of websites.

The court stated that even if ISPs are not directly or indirectly involved in the criminal offences with which the website owners are charged, they may be asked to cooperate with the authorities in order to enforce precautionary measures. Such an order requires ISPs to restrict access to particular websites by users in Italy. If ISPs fail to comply, they may be considered subject to a form of contributory liability.

On this analysis, ISPs have a qualified interest – and thus a corresponding right – to obtain the annulment of a seizure order, even if the subjects under investigation do not themselves seek such an annulment.

The court's finding represents a fundamental change in the view of an ISP's role and related liability in Italian law. It seems certain to influence the ongoing debate on the legal powers enjoyed by ISPs.

When and how to obtain seizure

In examining the decision on the merits, the court sought to evaluate whether the decision complied with the legal conditions for a seizure order against a website. It first enunciated a general principle, before providing guidance on when and how such an order may be obtained to protect intellectual property.

The fact that a domain name includes a reference to a registered trademark is insufficient to demonstrate that such website is a means of carrying out counterfeiting activities, even if the domain name associates the trademark owner's products with the concept of sale or commerce – for example, www.monclersale.com, www.monclerhotsales.com or www.moncleroutlet-store.com.

The court noted that there are different means of protecting trademarks – and value in intellectual property more generally – by preventing unauthorised use of a registered trademark within a domain name, such as the procedures available before the World Intellectual Property Organisation.

The court confirmed that the appealed order was based only on a rough analysis of the 493 websites that were subject to the order. It found that the analysis performed by the public prosecutor, on the basis of the documentation provided by the rights holder, was insufficient to justify the measures against the websites. The evidence did not adequately demonstrate that the websites were used to carry out counterfeiting-related activities.

Having set out the general principle in order to challenge the evidence collected by the public prosecutor, the court offered a series of remarks on how a trademark owner can demonstrate that counterfeiting-related activity is carried out through a website in order to obtain seizure.

When and how to obtain seizure

The court stated that:

- in general, the evidence must clearly demonstrate, in practical terms, that the website in question is a means of carrying out an activity with the aim of commercialising counterfeit goods.
- the website in question must be specifically identified (by its uniform resource locator), as must its owner or operator;
- the claimant must clearly demonstrate the extent of its rights. For example, if it is a trademark licensee, it must state whether it is bound by territorial limits and whether it has the authority to take action to protect its rights in respect of websites registered outside the applicable territory;
- a word in the domain name that suggests sales activities, such as 'store' or 'outlet', is insufficient to demonstrate that the website is illegal;
- advantageous prices and discounts - even reductions in the order of 70% - do not necessarily demonstrate that the goods on offer are counterfeits. The claimant must show that the final price is wholly disproportionate to the resale price imposed by the manufacturer; and
- the claimant must demonstrate that the relevant website is active and offers the disputed goods. The existence and use of payment systems on the website may be useful proof in this regard.

In this case the court considered that the evidence presented by the public prosecutor failed clearly to demonstrate that activity involving counterfeit goods was being carried out through the websites. Therefore, the court cancelled the order, but allowed the public prosecutor to continue investigations and gather further evidence.

Comment

Although the decision relates specifically to the use of trademarks in domain names, it sheds light on how to protect intellectual property on the Internet in the current Italian legal framework.

The court did not preclude the possibility of obtaining precautionary seizure in respect of a website on the basis of counterfeiting-related activities carried out through it; however, it held that such a measure is conditional on the fulfillment of a strict standard of proof of the illicit activity.

In respect of domain names, the precautionary seizure of the website under criminal procedure is not the only option in Italian or international law, and other precautionary measures may be used to ensure effective protection. Article 133 of the Industrial Property Code (Legislative Decree 30/2005,

as amended) states that a trademark holder may apply for a court order for precautionary measures against a website that uses its trademark in the domain name.

If illicit use of a trademark in a domain name is associated with counterfeiting activity, it is possible to obtain an order for criminal seizure to prevent the dissemination of counterfeits online, provided that the request includes the information and evidence set out in the recent court decision.

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