Paving The Way For Cyberlaw: Two FCJ Decisions On Domain Names

By Peer Zumbansen
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I.

[1] In two recent decisions rendered by the First Senate of the Bundesgerichtshof (BGH [Federal Court of Justice]), the Country's highest Court in matters of private law continued to mark out the path the law governing cyberspace will take as it continues to evolve.

[2] In the first case, known as the "DENIC" case, the Court was faced with the question of how to define the obligations of a domain provider with respect to an alleged conflict between the domain's registration and rights of third parties. Denic is a large German web servicer that administers all ".de" domains. Denic registered a domain by the name of "ambiente.de". Denic was, thereafter, sued by the Frankfurt Messe AG, a firm that organizes large trade fairs in Frankfurt am Main. Among the most prominent of these trade fairs are the International Book Fair (Internationale Frankfurter Buchmesse), the International Auto Show (IAA) and Ambiente, a large annual international consumer goods show (particularly focusing on interior decoration, furnishings and lighting designs). The Frankfurt Messe AG approached the company that had registered "ambiente.de" with Denic in an effort to seek to have the registration removed or abandoned. The company agreed to refrain from further use of the domain name but rejected the request that it surrender the domain name. Frankfurt Messe AG then brought suit against Denic demanding that Denic delete the "ambiente" domain name.

[3] In the second case, known as the MITWOHNZENTRALE.DE case, the Federal Court of Justice was required to even further immerse itself in the highly sensible matrix of cyber-law. As with the recent and important "rechtsanwaelte.de" decision rendered by the Frankfurt *Landgericht* (Regional Court),(1) the legal question involved the very heart of the internet as a market place. The suit was brought by a short term house/apartment brokerage company (with its internet presence under "HomeCompany.de") against a competitor that registered under the name of "Mitwohnzentrale.de". The plaintiff asserted that defendant's domain name usurped and cornered the use of the current, general (German) vernacular for the short-term brokering of furnished houses or apartments for use by business or academic travelers and visitors.

II.

[3] The Federal Court of Justice, with its two decisions from 17 May 2001 in these cases, penned a couple of new lines to the legal history of this highly disputed, dynamic and fast moving field. Just how critical these holdings really are, however, can only be judged by looking at the points at which the Federal Court of Justice took opposition with the reasoning of the lower courts, particularly in the second case. In the home brokerage case the Federal Court of Justice overruled both the Landgericht (Regional Court) and the *Oberlandesgericht* (Higher Regional Court). In the Denic case the Federal Court of Justice affirmed the Higher Regional Court, thereby rejecting the reasoning of the Regional Court.

[4] In the Denic case, the Federal Court of Justice held that the domain provider was not obliged to delete a domain name registration when asked to do so by a third party claiming "priority" rights to the registered name. The Federal Court of Justice made it very clear that a domain-name provider only has a duty to delete a registration when the registration is openly false and detrimental to the rights of others. If this is not the case, the Federal Court of Justice held, the provider can limit itself to directing the third party to take up the matter directly with the rightful holder of the domain name, by way of a court judgment if necessary.

[5] The Court pointed to the role and function of Denic as a domain provider, naturally being involved in the registration and administration of some millions of domain names and thereby not reasonably responsible for an investigation of opposing rights of third parties when administering a registration. Unlike cases where the opposing rights are obvious and as such must inevitably be assessed, Denic can await the third party presenting a judgment that gives proof of its good rights.

[6] The home brokerage case involved another layer of intricacies with regard to marketing in the internet. In "Mitwohnzentrale.de", the Federal Court of Justice ruled against the plaintiff in allowing the term "Mitwohnzentrale" to serve as the defendant's domain name. The Court, by so ruling, legalized a common Internet business strategy, *i.e.* choosing a signifier, denomination or description as domain name. The Court ultimately had to measure this usage

against the standards developed in a long chain of jurisprudence with respect to Art. 1 of the *Gesetz gegen den unlauteren Wettbewerb* (UWG [Law Against Unfair Competition]). Art. 1 UWG provides for an injunction and a damage claim against all actions related to competition which are found to be violative of public policy.(2) The Federal Court of Justice did not find that the home brokerage case, involving this kind of domain name, fell under one of the established standards for a violation of public policy outlined by Art. 1. The Court's ruling against the defendant's claims also rejected the necessity of forming and enforcing a new public policy standard under Art. 1 UWG for these matters. The Court asked whether the domain name chosen and registered by the defendant intruded in unlawful ways into the marketing options available to the competitor, and answered this question in the negative. The Court thereby rejected plaintiff's assertion that consumers, searching for short term housing brokerage, would only and exclusively be guided to defendant's services. The Court held that to merely channel customers to one's services fell short of being unlawful competition in violation of public policy. The latter, the Court admitted, occurs if the competitor undertakes methods to actually step between the customer and a competitor. To choose this domain name, however, did not amount to such an intervention. Rather, the defendant's choice of this particular domain name had merely given it, in the Court's view, advantages in comparison with his competitor with regard to the likely marketing effects on the customer.

[7] The Federal Court of Justice squarely rejected the analogy drawn by the Hamburg Higher Regional Court, which had found a parallel between the domain name and the protection of a trademark. The lower court reasoned that, because trademark law does not permit legal claims to a signifier or descriptor of a certain field or branch of business, it should be equally impermissible to make a legal claim to similar signifiers or descriptors as domain names or internet addresses. The Federal Court of Justice rejected this reasoning by holding that, unlike a trademark, an internet address does not lead to broad, exclusive right in the market. The mere fact that the defendant has a legal claim to the exclusive use of this denomination as an internet address does not in any way prevent its competitors from employing the same term (Mitwohnzentrale) in their advertising or their business name.

[8] The Court's rejection of the argument that a potential customer might merely type the word *Mitwohnzentrale* as a possible, blind URL link, is of particular interest. The Court demonstrated a true insider's perspective with regard to on-line search methods and held that a customer who proceeds in this manner can be held to be generally aware of the shortcomings of this search method.

[9] Yet, the Court found that the use of such domain names is not without some limits. The Federal Court of Justice held that it would find such a domain name to exceed these limits if the user does not only enter the specific address under one top-level domain, but simultaneously blocks it in others as well. Also, the Federal Court of Justice held that the use of branch denominations or business field descriptions as domain names is to be held violative if it is misleading. This could be the case, for example, when the customer gained the impression that the user of the disputed internet address was the only provider for this kind of service. The Federal Court of Justice directed the Higher Regional Court to further investigate this aspect of the case in its consideration of the matter on remand. Were the Higher Regional Court to find a misleading effect, the Federal Court of Justice instructed the lower court to permit the continued use of the disputed web address only if the user clarifies, on the page, that there are also other providers of the goods or services at issue.

III.

[10] The urgency and circularity of the Court's decision in the Mitwohnzentrale.de case is indeed striking. When did it become the custom in the law (with respect to advertising, to market names, trademarks and exclusive rights) to require a market competitor to persuasively point to the marginality of its own goods or services? To ask market participants to refrain from negative publicity of competitors has long been an accepted standard. But the obligation to do the opposite, *i.e.* to (legally) choose in the first instance a highly disputable way of "channeling" general inquiry to one's services and then, in the second instance, to sanctify this practice by obliging the market actor to put up a sign that, in essence, says: "One of the leading Firms in this field is this other company." And, finally, to back-up this obligation with the threatened loss of the right to use the unique marketing device, does not seem entirely convincing. Perhaps it is the Court's particular manner of assessing the nature of the virtual market place with which it deals in this case that raises so many problems. The Court explains modes of search, modes of advertisement and, as such, modes of being in the internet with a striking self-confidence as to the empirical nature of these conclusions. Of course, one might conclude that this kind of certainty is one way to resolve these matters, and considering the volatility and flexibility of the virtual market, perhaps not even a bad way. But what, in the end, is unsatisfying is the how very obviously the traditional standards, which were developed for competition law governing the old market, have not yet matured to meet the challenges that present themselves in and through a de-nationalized and e-market (at the heart of which lies the very volatility and flexibility that serve as the sources of the problem). Unlike in the Denic case, where the Court presents a sensible assessment of the new social and economic actors in cyberspace, one wonders in the Mitwohnzentrale.de case how much longer the Court can just go on employing our known standards to problems that so openly seem to ask for another approach.

[11] A clear cut assessment of what it means when a competitor has "seized the virtual-opportunity" would have been a more useful avenue for the Court, even if disputable in itself with regard to the issues of misleading advertisement, than the half-hearted acceptance of some older, wider and blunter standards, all captured in the improbable requirement that the out-foxed competitors should get help from the swifter runners at the end of the race.

For more information: Decision of the Federal Court of Justice
(Bundesgerichtshof) of May 17, 2001 - I ZR 251/99
"Denic"

Decision of the Federal Court of Justice (Bundesgerichtshof) of May 17, 2001 - I ZR 216/99 "Mitwohnzentrale.de"

Gesetz gegen den unlauteren Wettbewerb [UWG] - Act Against Restraints on Competition:
http://www.iuscomp.org/gla/
(1) *Domain-Name "www.rechtsanwaelte.de" Found to Violate Competition Law*, 2 GERM. L. J. 5 (March 15, 2001)
www.germanlawjournal.com.
(2) § 1 UWG: "Wer im geschäftlichen Verkehr zu Zwecken des Wettbewerbs Handlungen vornimmt, die gegen die guten Sitten verstoßen, kann auf Unterlassung und Schadensersatz in Anspruch genommen werden."