

2000 K STREET, N.W.
SUITE 600
WASHINGTON, D.C. 20006
TEL: 202-429-8970

www.lsl-law.com

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Managing the Global Internet Trademark: A Case Study

Introduction

As all of you certainly know, the protection of intellectual property - or "IP" - is vital to every business.¹ Because many companies are now using the Internet as an avenue to conduct or advertise their businesses locally as well as globally, the importance of creating a domain name - which is also considered a "trademark" in a practical sense - that is both unique and legally protectible is becoming critical to the success of that business. As IP attorneys representing multi-national clients with growing and lucrative international e-commerce businesses, we have seen what can go right and what can go wrong for these e-commerce enterprises in the trademark law arena. This paper discusses the protective legal steps that should be taken when developing a new company name, logo, product or service name along with a parallel or counterpart web site domain name.

In discussing the necessary preventative measures in developing and protecting your new trademark, we will examine a case study of one of our multi-national client's trademarks. This case study is based on an actual worldwide dispute and outcome in 2001 and we have substituted all company names, trademarks, domain names, and dates in this article with fictional names and dates to protect the parties' identities, client confidentiality, and current settlement agreement. This global dispute originated with a separate law firm, which, to protect their identity, we will label as "UF&I" (Unthinking, Forgetful & Inattentive). After this case developed into a worldwide trademark war, the client hired our firm to handle the matter.

Client Planning

Background

- In the fall of 1999, our client, a major Mexican media company, let's call it Mextal, S.A. de C.V. ("Mextal"), developed the concept for a news and entertainment Internet portal to be marketed in Spanish-speaking and non-Spanish speaking countries called

"ESTEDIA" and "ESTEDIA.COM" ("This Day" in the present tense). At about the same time, a large broadcasting company located in Spain, let's call it Spagno, S.A. de C.V. ("Spagno"), developed a similar concept for a news and entertainment Internet portal to be exploited in Spanish-speaking and non-Spanish speaking countries called "ESEDIA" and "ESEDIA.COM" ("That Day" in the past tense). Neither company was aware of the other's new Internet portal concept, trademark, domain name, or business plan, nor was either aware of the other's new trademark applications in a variety of geographic markets.

- At the time that Mextal developed the concept for its news and entertainment web site, its outside intellectual property counsel, UF&I, did not conduct a standard trademark, domain name, and common law name clearance search to determine the availability of this mark in the United States and other key markets, such as the European Union and some large Latin American countries, including Argentina, Brazil and Colombia. It is unclear whether UF&I had even recommended such a course of action to Mextal. In any event, Mextal proceeded to file applications to register the mark in Mexico on November 30, 1999 and in the United States on December 15, 1999.
- In February of 2000, unbeknownst to either company, both companies began registering their respective marks globally in over 50 countries. Due to the backlog in the trademark offices of almost every country, neither company was alerted to the other company's pending applications. In many countries, Mextal filed applications to register its mark after February 1, 2000 (the date Spagno's original application was filed in its home country, Spain) -- a key fact to be discussed below.
- In late March of 2000, UF&I's foreign counsel in Lebanon alerted the law firm to Spagno's ESEDIA application in Lebanon as being potentially confusingly similar to Mextal's ESTEDIA application there. UF&I failed to notify Mextal of this determination by local counsel and the potential conflict. Without instructions from Mextal, UF&I unilaterally decided not to pursue an opposition against Spagno's application there and informed its Lebanese local counsel that it did not view the ESEDIA application as a problem.
- Unbelievably, however, just one week later, in early April 2000, the UF&I law firm adopted an entirely contradictory position and filed a domain name complaint against Spagno before the World Intellectual Property Organization ("WIPO")² claiming that ESEDIA.COM was, in fact, confusingly similar to ESTEDIA.COM and must be cancelled or transferred to Mextal. Why UF&I did not then immediately send new instructions to its Lebanese foreign counsel is a mystery.
- Under the UDRP, a complainant must prove the following three elements in order to prevail:

The domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;

Respondent has no rights or legitimate interests in respect of the domain name; and

The domain name has been registered and is being used in bad faith.³

- In early May 2000, the WIPO panel issued a decision finding that "ESTEDIA" and "ESEDIA" are not identical or confusingly similar. Namely, WIPO determined that the words, "ESTE" and "ESE," have different

appearances and meanings as translated into English (one representing "This Day" in the present tense and one representing "That Day" in the past tense). The WIPO panel also determined that Mextal could not claim exclusive rights to the generic word "DIA" ("day"), and explained that both web sites represented by the domain names involved very common subject matters -- general information and entertainment. Therefore, the WIPO panel determined that Mextal failed to demonstrate the first element of the UDRP.

- In addition, the WIPO panel determined that Spagno had a legitimate use for its domain name and that Spagno's domain name was being used in connection with the bona fide offering of goods and services prior to the dispute (Spagno had recently created a subsidiary company with the name ESE DIA, S.A. de C.V.). Accordingly, Mextal failed to prove the second and third elements under the UDRP. Mextal's complaint was therefore denied.

"IP" Also Means Investigate and Plan

The UF&I law firm failed to undertake the most essential step in protecting a client's intellectual property - to investigate and plan adequately.

Conduct a trademark clearance search in all key markets and get your intellectual property attorney involved from the beginning.

- Before choosing a trademark and domain name, and investing large amounts of money in a new name or logo, always seek legal advice first. To begin with, an experienced trademark lawyer should order a thorough trademark clearance search from a professional trademark search company (which, in the U.S., includes a search of Federal and state registered trademarks, common law, or unregistered currently used marks, and domain names). The lawyer will then review the search for any potential conflicts with pre-existing similar marks. Owners of pre-existing similar marks, whether registered or unregistered, may prevent you from using your new mark and domain name.
- Realistically, due to expense, you may not be able to conduct a clearance search in every country in which your client wants to operate. (An average U.S. trademark search without legal review will cost approximately \$300-400 and legal review may tack on an additional \$500-1,000.) For multiple jurisdictions, costs can add up quickly. Trademark clearance searches, however, should be conducted in all key markets for your client's business, such as the United States, your home country if it is not the United States, the European Union, and other applicable large countries or jurisdictions. If your client or your company balks at this expense, explain clearly the likelihood of greater costs and risks involved without conducting a clearance search.
- In Mextal's case, UF&I failed to conduct any aspect of these essential clearance searches -- or recommend to its client that they be authorized to do so -- before filing trademark applications all over the world, or before filing the WIPO complaint. This omission exposed Mextal to the loss of its valuable trademark in

which it made substantial investments. It then subjected Mextal to an eventual worldwide trademark dispute, and considerable legal expense, which could have been prevented.

2. Send a Cease & Desist Letter

- You should always investigate before initiating any opposition proceeding, including a domain name complaint under the UDRP, by researching the business services, geographic location, and status of trademarks and domain names of any potential opponent company. An additional useful and strategic measure in investigating a possible opponent is to send a cease and desist letter. A cease and desist letter can allow a trademark owner to determine the seriousness of the potential opponent's position. These letters -- which, by the way, do not have to be harsh and demanding -- may nevertheless lead some potential opponents to give up rights to the infringing mark right away, or at least enter into settlement negotiations.

3. Claim Priority

- Mextal had filed an application for its ESTEDIA mark first in the world by filing in Mexico on November 30, 1999 -- prior to Spagno's application in Spain on February 1, 2000. Accordingly, Mextal was potentially senior to Spagno in every country in the world.
- Under the Paris Convention for the Protection of Industrial Property,⁴ any applicant for a trademark registration may claim a priority filing date based on the date of the original filing of the trademark application in the applicant's home country, if filed within six months of the original home country application.
- At the time of the WIPO dispute, UF&I had failed to claim priority under the Paris Convention in almost all countries except for a handful of non-Spanish speaking nations.
- In Spagno's response to Mextal's WIPO Complaint, Spagno stated that it had applied to register its mark in over 50 countries, demonstrating that Spagno had invested substantial sums in the ESEDIA trademark. This was a pretty clear signal to UF&I that a potential worldwide dispute was in the making. At that time, UF&I should have clearly understood that it was strategically vital to claim priority wherever possible in case Spagno were to oppose Mextal's applications. In fact, one day before UF&I filed the WIPO complaint, UF&I became aware of instructions from Mextal to seek priority in all applicable countries. UF&I failed to proceed as instructed.
- Accordingly, Mextal's failure to claim priority caused it to be junior to Spagno in many Spanish speaking countries critical to the success of the ESTEDIA.COM Internet portal because Spagno had filed for priority based on its Spain application date (February 1, 2000). Had Mextal filed priority claiming its Mexican application date (November 30, 1999), it could have been accorded a senior filing status over Spagno's applications in ALL countries where both marks were filed -- a vitally important fact in the emerging global trademark dispute since most countries are "first-to-file" jurisdictions.

A Creative Strategy: The "Comments & Potential Opposition" Approach

Because Mextal failed to claim priority, Spagno became the senior mark in most Spanish speaking countries important to the ESTEDIA.COM portal. After the WIPO decision holding that ESTEDIA and ESEDLA were not identical or confusingly similar, and having the benefit of owning the senior mark in most Spanish speaking nations (except Mexico, the United States, and a handful of smaller countries), Spagno then filed oppositions against the ESTEDIA mark -- claiming likelihood of confusion -- in many major Spanish speaking countries and jurisdictions, including Spain and the European Union, Peru, Ecuador, and Colombia. Spagno's new position, however, was completely opposite to the arguments it had made in the WIPO proceeding.

- In July of 2000, Mextal transferred this case from UF&I to our law firm. Unfortunately, at this point, the crucial time to claim priority had been lost. We therefore sought more creative legal avenues to resolve what had already become a worldwide trademark dispute at a cost to both companies of hundreds of thousands of dollars in legal fees alone.

The New Goal: Coexistence

- Since Mextal failed to claim priority, it lost its senior position vis-a-vis Spagno in over 33 major countries. Accordingly, Spagno could potentially displace Mextal in a large percentage of the world's Spanish speaking population. A result disastrous to the success of the ESTEDIA.COM Internet portal.
- However, Mextal still had the benefit of being the senior mark owner in two of the wealthiest Hispanic markets: Mexico and the United States. Therefore, a potential outcome of this worldwide trademark dispute was that Mextal would carve out the two most lucrative markets of Mexico and the United States (and a handful of other small countries) and Spagno would carve out a majority of Latin America and the European Union. This result was obviously unacceptable to our client. Accordingly, our strategy and goal shifted from one of aggression to one of settlement and coexistence so that Mextal would be able to enter the two major regions of Latin America and Europe. We had to change our strategy, and we used Spagno's own statements to help.

Turning the Tables - Mextal's Defense to Spagno's Opposition - using the WIPO Decision in our Defense

- We began defending Mextal's various "junior" marks against Spagno's oppositions by using and citing Spagno's arguments before WIPO that the ESTEDIA and ESEDIA marks are NOT confusingly similar. We used many of the same arguments that Spagno used before WIPO to our advantage. We virtually turned the tables on Spagno by throwing their argument before WIPO back at them in numerous other forums.
- In addition, we utilized the WIPO decision finding no likelihood of confusion as persuasive (although not binding) authority in our defenses.

- We also began collecting official statements from trademark offices in various countries, including the United States and Australia, stating that even though applications for both marks had been filed in those jurisdictions, "the Trademark Office examining attorney has searched the Trademark Office records and has found no similar registered or pending mark which would bar registration." We used these statements in our defenses as persuasive authority of coexistence as well and distributed them to our foreign counsel.
- Our strategy was working: in several countries, including Ecuador and Peru, we overcame Spagno's opposition and senior status with our strategic defensive arguments. We began to develop a number of decisions in various countries, including Spanish-speaking countries, finding no likelihood of confusion. We distributed these favorable decisions to our foreign counsel also.
- Although Mextal had initially wanted to keep Spagno from registering what Mextal originally believed to be a confusingly similar mark, the new reality of Spagno's seniority forced Mextal to surrender this resolve in favor of coexistence. Admittedly, Mextal had been forced to give up an important legal right in order to ensure the survival of its domain name in Spanish speaking countries vital to the economic viability of its Internet portal.

An Unusual Tactic: Comments & Potential Opposition

- In those countries where Mextal remained the senior trademark owner, our firm developed a strategy of filing a unique and creative "non-opposition." This pleading, which we labeled "Comments and Potential Opposition," was filed to preserve whatever senior position we could for our client. By filing a statement within the requisite opposition period, yet not "actually" opposing the Spagno mark on the basis of likelihood of confusion, we sought to educate the Trademark Office examiners to our way of thinking, as well as draw Spagno into filing a response -- in order for its junior mark to be registered in that particular country -- that the marks were not confusing. We could then use such statements in countries where Spagno had the senior mark to demonstrate the hypocrisy of its position.
- Thus, our Comments and Potential Opposition emphasized that WIPO determined that the marks are NOT confusingly similar, there is no actual proof of likelihood of confusion among consumers (based on Spagno's arguments presented in the WIPO dispute), and asserted the argument of estoppel -- Spagno should not be able to argue that the marks are not confusingly similar before an international forum (WIPO) and yet argue that the marks are confusingly similar in the local country forum. In the alternative, we asserted that if the Trademark Office were to decide that the marks were nonetheless confusingly similar, then Mextal, as the senior global trademark owner -- having first filed in Mexico three months before Spagno did in Spain -- should prevail.
- While we recognized that the Trademark Offices in each country could have dismissed or rejected our Comments and Potential Opposition because it was not a definitive opposition to Spagno's application, we nevertheless pursued this strategy to establish the idea of mutual coexistence in the mind of the trademark examiner and, in some cases, force Spagno to take the same position of coexistence in order to gain

registration in the countries where Mextal's mark did have priority.

- Such an occurrence was more likely since it did not appear that Spagno's positions were centrally supervised; in other words, individual foreign counsel could be expected to act in the best interests of their client in their respective country and not necessarily in the best interests of Spagno globally.
- Although we did not receive final decisions on our Comments and Potential Opposition filings, it was a useful tool in alerting our opponent to the inherent contradiction of its position and, we believe, establishing the idea of coexistence in the minds of trademark examiners in many countries. With seemingly no coordination of its own filings, Spagno began to take notice of our unusual Comments and Potential Opposition and realize that it was arguing for coexistence in some places and likelihood of confusion in other places. Our opponent also began to realize that, in order to enter the lucrative markets of Mexico, the United States, and now countries where we filed Comments and Potential Opposition, such as Peru, Costa Rica and Australia, it had to come to the bargaining table.

Settlement

- Because of our strategy of attacking Spagno with its own contradictory position and our Comments and Potential Opposition, we forced Spagno to take notice and address this worldwide dispute. Accordingly, after continuing with our approach for only six months, we drew our opponent into settlement negotiations. After just a few meetings, Mextal and Spagno executed a Worldwide Coexistence Settlement Agreement and, within 45 days of that Agreement, all oppositions had been withdrawn by both parties. Both marks are now peacefully coexisting in over 50 mutually filed countries.
- In addition, we are now cooperating with each other in identifying other third party marks which may cause difficulties for both parties.

Conclusions

- In a pre-Internet economy, trademark protection was easier because you simply had to clear and police your trademark in your local or national market. With domain names, however, protecting your mark on a global scale is becoming more and more crucial.
- In the case study summarized in this presentation, the lessons learned are that a new domain name/trademark owner seeking to protect the mark on a global scale should investigate as thoroughly as possible with an initial trademark search before adopting its preferred mark and investing hundreds of thousands or even millions of dollars on branding before it knows whether the "brand" chosen will survive challenge by holders of other similar trademarks.
- Trademark lawyers and their clients alike need to be constantly vigilant to developments in all countries in which trademark registration is sought and be prepared to adjust their strategy as marketplace reality and legal necessity dictate.

- This includes claiming priority filing everywhere based on the initial home country application, and being cautious when opposing other domain names by "feeling out" your opponent with a cease and desist letter and investigative research first.
- Perhaps the most important lesson learned from this exercise is that communication between a client and its attorney is vital to succeeding in the new Internet economy. The client should continuously be informed by its attorney regarding all substantive matters, and the client must be responsive to all of its attorney's requests for information. Continuous status checks, follow-up reports, and questions are necessary due diligence in protecting your vital intellectual property on the global scale.

Footnotes

¹ "Intellectual Property" includes trademarks, copyrights, and patents. Trademarks are symbols, words, slogans or other representations which identify a business, product or service. Trademarks allow consumers to associate a specific type of brand or quality of good or service with a specific individual, company, manufacturer, or business. For example, the words, "Coca Cola" should conjure up the image of a carbonated soda.

Copyrights deal with creative concrete ideas, such as musical compositions or literary works and patents deal with inventions. Copyrights and patents are not addressed in this presentation.

² The complaint was filed in accordance with the Uniform Dispute Resolution Policy ("UDRP") developed by the Internet Corporation for Assigned Names and Numbers ("ICANN"), which handles domain name disputes on an international level.

³ These factors differ from the traditional likelihood of confusion test used by U.S. courts, which include elements such as (i) the degree of resemblance between the marks, (ii) the similarity of the marketing channels of distribution, (iii) the characteristics of prospective purchasers, (iv) the degree of distinctiveness of the senior user's mark, (v) whether the goods/services are competitive or the likelihood that prospective buyers would expect the senior user to expand into the field of the junior user, (vi) the extent that the senior user's mark is known in the junior user's territory, (vii) the intent of the junior user and (viii) evidence of actual confusion. Bad faith, an element for an ICANN dispute, may be helpful, but is not necessary in a likelihood of confusion dispute. In addition, an ICANN decision does not have the same remedies or jurisdiction over parties that a trademark case would. A successful ICANN decision would merely require a domain name registrar to transfer the domain name from the respondent to the successful complainant, but may not require damages, injunction from trademark use in commerce (such as on goods or services), and merely relates to the actual registration of the domain name. Trademark litigation, however, may allow a successful complainant to obtain injunctive relief, damages, as well as attorney fees. Furthermore, an ICANN complainant may still sue in courts of competent jurisdiction for trademark infringement (or dilution) regardless of whether they win or lose in an



UDRP dispute. In the United States, a complainant may file suit in a federal court under the Anticybersquatting Consumer Protection Act ("ACPA"), effective in 1999, which also provides for injunctions or damages against cybersquatters. Like the UDRP, the ACPA also requires a showing of bad faith in order to prevail.

⁴ The Paris Convention is the major international treaty governing intellectual property. Over 110 nations, including the United States, Mexico and Spain, adhere to this treaty.