

WIPO decision clarifies how concept of 'bait and switch' may be interpreted International - Hogan Lovells LLP

Cybersquatting

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In a [recent decision](#) issued by the [World Intellectual Property Organisation](#) (WIPO) in accordance with the [Dispute Resolution Regulations for '.nl' Domain Names](#), a company established in Nassau, Bahamas, under the name [Xtralis Technologies Limited](#) has been denied the transfer of the domain name 'xtralis.nl'. The domain name was registered on June 9 2009 by Trendesign Bureau voor vormgeving & communicatie on behalf of Sensegroup BV, a Dutch company (Sensegroup BV and its two subsidiaries, Firesense Benelux BV and Secusense BV, are hereinafter together referred to as 'the respondent').

The complainant manufactured life safety and security systems such as smoke/gas detection and video surveillance products designed for early detection and prevention of fire and the intrusion of threats. For these activities, the complainant owned a number of trademarks, including the Community trademark XTRALIS.

The respondent was the exclusive distributor of the complainant's products for the Netherlands and claimed that it had signed a contract with the complainant "to promote the brand".

After the complaint was filed, the domain name began redirecting to the respondent's website at '[www.secusense.nl](#)'. On that website, products of two other manufacturers were offered next to those of the complainant.

Before filing a complaint under the '.nl' regulations, the complainant sent an email to the respondent in which it requested the latter to "remove immediately all references to cooperation and partnership with Xtralis. Use of our branding is not permitted without our express written consent."

To be successful in a complaint under the regulations, a complainant must satisfy all of the following three requirements:

1. the domain name is identical, or confusingly similar, to:
 1. a trademark, or trade name, protected under Dutch law in which the complainant has rights; or
 2. a personal name registered in the General Municipal Register (*gemeentelijke basisadministratie*) of a municipality in the Netherlands, or the name of a Dutch public legal entity or the name of an association or foundation registered in the Netherlands under which the complainant undertakes public activities on a permanent basis; and
2. the registrant has no rights to, or legitimate interests in, the domain name; and
3. the domain name has been registered or is being used in bad faith.

Regarding the first element, the complainant alleged that the domain name was confusingly similar to its XTRALIS mark. The panel found that this was a typical case where a domain name included a trademark in its entirety and concluded that the domain name was identical or confusingly similar to the complainant's mark.

To establish the second requirement of the regulations, the complainant argued that the respondent had no trademark or trade name rights in the XTRALIS mark and that it had not been authorised or licensed by the complainant to use the mark. The complainant also claimed that the respondent did not meet the criteria established in a precedent under the [Uniform Domain Name Dispute Resolution Policy](#) (UDRP), the *Okidata* case (*Okidata Americas Inc v ASD Inc* (WIPO Case D2001-0903)).

The *Okidata* case, as set out in the [WIPO Overview of WIPO Panel Views on Selected UDRP Questions](#), asserts general guidelines regarding whether resellers and distributors have rights or legitimate interests in a domain name. The WIPO Overview states:

"Normally, a reseller or distributor can be making a bona fide offering of goods and services and thus have a legitimate interest in the domain name if its use meets certain requirements. These requirements normally include the actual offering of goods and services at issue, the use of the site to sell only the trademarked goods, and the site accurately and prominently disclosing the registrant's relationship with the trademark holder. The respondent must also not try to 'corner the

market' in domain names that reflect the trademark."

The panel noted that, for a number of years, the respondent was the exclusive distributor for the Netherlands of the products of the complainant both in the smoke detection and in the security area and that, at some point, the complainant terminated the distribution relationship in respect of the smoke detection products, but not for security systems.

The difficulty in this case was whether or not the respondent's website was selling only the trademarked goods, as referred to in *Oki Data*.

According to the complainant, the domain name was redirecting to a website selling smoke detection products and solutions of the complainant as well as competing products of other manufacturers. The latter products were not those of the complainant, so that in the opinion of the complainant, the *Oki Data* criteria, which require the reseller to sell only the trademarked goods, were not met.

The respondent argued in turn that the products sold on the website at the domain name were complementary to those of the complainant and not competing with those products.

As noted by the panel, according to precedents referring to the *Oki Data* case, if the registrant did not use the website at the domain name to sell only the goods of the trademark owner, this may result in the registrant using the website to bait internet users and then switching them to other goods (a tactic often referred to as 'bait and switch').

The panel pointed out that it was evident that 'bait and switch' occurred when the trademark forming part of the domain name was used to expose internet users to a website also featuring products competing with those of the trademark owner, but that it was less evident whether this would also be the case if the other products offered were not competing.

Relying on precedents, the panel stated that the *Oki Data* criteria were intended to be applied contextually and it was necessary to bear in mind the overarching purpose of the regulations (namely to defeat cybersquatting) when applying them. In the panel's view, if the use of the domain name did not amount to 'bait and switch' selling, or to the respondent attempting to divert internet users contrary to the complainant's presumed interests, then the *Oki Data* factor requiring the reseller to sell only the trademarked goods was more likely met. According to the panel, this may also be the case if certain other products were offered that were truly complementary to those of the complainant and, depending on the circumstances, this may also promote the complainant's products in the interest of both parties, as it may represent a more complete offering. The panel considered that such a situation would not necessarily constitute 'bait and switch', as the domain name would not be used to bait potential customers of the trademark owner to switch them to competing products from other manufacturers.

In the present case, the issue of whether the products sold on the website at the domain name were competing with the complainant's products or were complementary to those products was therefore key.

According to the panel, the complainant had not demonstrated (and the respondent denied) that the website at the domain name was offering for sale goods which were competing with those of the complainant. The panel therefore considered that the complainant had not showed that the respondent had failed to meet the second requirement of the *Oki Data* test.

Regarding the website accurately and prominently disclosing the respondent's relationship with the complainant, the complainant argued that the website at the domain name did not accurately disclose such relationship. The panel found that the facts and contentions remained rather unclear and therefore provided insufficient basis for it to conclude whether or not the website at the domain name accurately disclosed the respondent's relationship with the complainant. In this regard, it did not help that the pointing of the domain name had changed after the complaint was filed.

On balance, the panel concluded that the complainant had failed to show that the respondent did not meet the *Oki Data* criteria or that the respondent was otherwise not using the domain name in connection with a *bona fide* offering of goods or services.

The second requirement of the regulations was therefore not satisfied and the complaint was denied. The panel decided not to proceed to make a finding with respect to bad faith, given its findings with respect to the second element of the regulations.

The decision is interesting in that it shines a light on how a panel may interpret the concept of 'bait and

switch' referred to in the *Oki Data* case. In other words, it may not be enough to simply assert that other products are being sold in addition to those of the trademark owner (which is how *Oki Data* could be interpreted) - it may also be necessary to demonstrate that those other products are competing, and not merely complementary. As the panel in this case stressed, the factors laid out in *Oki Data* need to be viewed in context, given the over-arching purpose of the UDRP to combat cybersquatting, and panels are free to interpret them or add additional layers of complexity as they see fit, depending on the particular circumstances of the case at hand.

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