

TRADEMARKS v. DOMAIN NAMES - THE BRAZILIAN EXPERIENCE

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In view of the rapid development of the Internet, the law in Brazil, as in most other countries, is struggling to keep pace with various Internet-related legal issues that can arise. Questions such as domain name control are on the cutting edge of legal jurisprudence, both in the application of existing law and procedure, and the promulgation of new regulations. This article focuses on “cybersquatting” in Brazil and its placement within the wider international arena.

As in other countries, “cybersquatting” has become the accepted term in Brazil for the practice of registering the trademark or designation of another as a domain name and possibly using it in an attempt to gain unfair advantage, either by selling it to the legitimate owner or diverting trade to its own website by misleading consumers.

Brazil’s civil law system differs in many respects from the common law system of the United States. For example, there is no principle of binding precedent (although judges tend to follow jurisprudence and legal doctrine). Nor are there awards for punitive damages, although a number of recent laws set forth heavy fines and indemnities for specific violations. Also, the types of temporary or preliminary relief available in Brazil do not always correspond to those remedies available in other countries.

In order to obtain a preliminary injunction in Brazil, a plaintiff must establish two elements: the existence of a right to relief and a strong likelihood of success (“*fumus boni iuris*”), plus the risk that delay would engender damages that are difficult to redress (“*periculum in*

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mora”). These factors correspond to a plaintiff’s burden in seeking a preliminary injunction in the United States.

To seek redress in a domain name or trademark case, the plaintiff must show first that it owns the trademark in question, either through a prior registration or by virtue of world renown, and, therefore, that the defendant must have been aware of the plaintiff’s mark and has no legitimate connection with such mark.¹ Second, a plaintiff must demonstrate that continuance of the infringement could cause it substantial losses that the defendant would have grave difficulty repairing. Finally, courts consider public interest concerns implicated by consumer confusion.

Courts and arbitration panels around the world are recognizing that domain names are valuable assets, which can be transferred for substantial consideration. The underlying rationale of cybersquatting, which is often to “sell” (sometimes for significant amounts), a domain name registered in bad faith underscores the value of such names. Moreover, it is well recognized that there are Internet websites dedicated exclusively to the purchase and sale of domain names.

Indeed, at least one court in the United States² after passage of the United States’s Anticybersquatting Consumer Protection Act,³ expressly recognized that a domain name constitutes a defendant’s “property,” by noting: “There is no prohibition on a legislative body making something ‘property’. Even if a domain name is no more than data, Congress can make data ‘property’ and assign its place of registration as its “situs.”

Although this decision has no direct legal bearing on Brazilian court rulings, foreign courts in countries such as Brazil do look to the United States for guidance in new areas of law. Although there have been no decisions in Brazil specifically recognizing a domain name as an asset, there have been several recent rulings tacitly acknowledging the value of domain names.

Brazilian courts, not only look to United States law, but also take into consideration the Paris Convention, to which Brazil is a signatory; Brazil’s Industrial Property Law. (Law 9.279 of May 14, 1996) closely follows that accord in defining trademark use and registration. The Paris Convention proscribes: misappropriation of the names or titles of other companies or establishments, as well as the differentiating elements or characteristics of same,⁴ false geographic indications,⁵ well-known marks as defined by Article 6 bis of the

¹ For example, a hypothetical scrap metals dealer called Indústria Brasileira de Metais would have a legitimate reason to have registered ibm.com.br. (This is just illustrative, as IBM is well-established in Brazil).

² *Caesars World Inc. v Caesars-Palace.com*, 54 USPQ2d 1121 (ED Va 2000).

³ Pub L No. 106-113, 113 Stat 1501 (1999).

⁴ Article 124, V.

Paris Convention, including service marks,⁶ marks already used in Brazil by others in good faith for at least six months,⁷ deceptive marks that falsely or misleadingly indicate the origin, maker, nature, quality or utility of products or services.⁸ Further, the Paris Convention prohibits the copying of a trade mark without the authorization of its owner.⁹

The fight against cybersquatting in Brazil revolves around two basic concepts: the legal definition and treatment of a domain name and the laws governing trademarks. A domain name serves as an address, and generally is a series of letters or words relating to numbers that computers use to locate a particular Internet website. In addition, the great majority of domain names serve also to identify the origin of a product or service, generally by incorporating the name, trademark or other identifying sign of a website's owner.

Brazil, like many countries, has a "first-to-file" domain name registration policy. The Brazilian government's Internet Managing Committee has delegated to FAPESP¹⁰ the responsibility for domain name registration and has issued broad guidelines relating to what domain names are deemed unacceptable: vulgar expressions; words reserved for government agencies; words representing predefined terms related to the Internet such as the name "Internet" itself; and names that can mislead third parties, such as famous marks that have not been applied for by their rightful owners.¹¹ Nevertheless, despite its guidelines, FAPESP does not vet and clear applications in advance; instead, it relies on legitimate owners to take legal action in the event of conflicting claims.

The primary argument used against cybersquatting in Brazil is fraudulent registration of a domain name. The definition of fraud employed in Brazil mirrors the one applied to trademarks in Article 6septies(1) of the Paris Convention, Stockholm Revision.¹² Fraud is established by a showing that: (1) the domain name that was registered is identical or closely similar to a "well-known mark" (this standard is completely subjective in Brazil, since there are no clear-cut factors that establish the notoriousness of a trademark); and (2) the domain name was registered in bad faith, whether to use a website to pass itself off as another company or to sell the name back to the rightful owner of the mark.

It is evident that cybersquatting, in Brazil, as elsewhere, is treated as an act of unfair competition and trademark violation, and there are several grounds on which to base a suit to recover a usurped domain name. Although there are not many cases on point in Brazil, several important recent court decisions have begun to recognize this principle.

⁵ Article 124, IX.

⁶ Article 125.

⁷ Article 129, § 1.

⁸ Article 124, X.

⁹ Article 189, I.

¹⁰ Fundação de Amparo à Pesquisa do Estado de São Paulo – The São Paulo State Research Support Foundation.

¹¹ Resolution 01/98 of the Brazilian through Decree No. 635 of August 21, 1992.

¹² In effect in Brazil through Decree No. 635 of August 21, 1992.

For example, in *Ayrton Senna Promoções e Empreendimentos Ltda. v. Laboratório Infantil Meu Cantinho S/C Ltda.*,¹³ the defendant, a small laboratory in Curitiba, PR, registered the domain name “www.ayrtonsenna.com.br” at FAPESP, without authorization of the rightful owner of the trademark “ayrton senna” which owned a registration for this mark in the Brazilian Patent and Trademark Office. Based on its trademark registration and on the notoriety of the name “Ayrton Senna,” the plaintiff filed an action to recover ownership of the domain name. The defendant claimed that it intended to use this domain name to create an Internet fan club for the celebrated, deceased Brazilian F1 pilot named Ayrton Senna but that it had no intent to use the name commercially when it registered the name. The court ruled in plaintiff’s favor, despite the absence of any specific legislation regarding domain names. In affirming the lower court’s opinion, the appellate court noted:

“From what has been shown, it is evident that the pretension of the appellant to use the domain name “ayrtonsenna.com.br” on the worldwide Internet computer network, without the required authorization of the plaintiff-respondent, is prohibited not only in law, but also by ethical and moral rules that must govern human and commercial relations.

*Despite the absence of specific legislation dealing with the matter, there is no denying that, by analogy, protecting a mark in the field of commerce must also extend to its protection, on the same grounds, in the ambit of the Internet—born as a simple means of communication, but today unquestionably one of the most agile and powerful vehicles of commerce”.*¹⁴

In *Carl Zeiss and Carl Zeiss do Brasil Ltda. v. Quality Technologies Comércio Importação e Exportação Ltda. And FAPESP*,¹⁵ the court similarly credited the rights of the trade mark owner. The defendant company, Quality Technologies, which represented the American company Brown & Sharpe in Brazil, registered the domain name “www.zeiss.com.br” and was using it to advertise and sell measuring apparatus. Carl Zeiss do Brasil Ltda., which owned a trademark registration for ZEISS and also manufactured and sold measuring instruments in Brazil, brought a lawsuit against the domain name owner. The court concluded that unfair competition was obvious, as the companies were in the same field of activity, and that trademark infringement was also undoubtedly proven, since Carl Zeiss do Brasil Ltda. was the rightful owner of trademark ZEISS. Further, because the defendant owned registrations for other domain names, the court noted that it could easily use such other names instead of the infringing name.

In another case, *Geocities v. Vserver Brasil Tecnologia de Sistemas Ltda.*,¹⁶ the plaintiff, Geocities, Inc., which was acquired by Yahoo!, was the Internet’s well-known host of personal homepages. The defendant, a Brazilian Internet Service Provider, registered the domain name “www.geocities.com.br” and used the domain name to direct Internet users to

¹³ Appellate Court Decision No. 17308 handed down on March 3, 1999 by the 2nd Civil Chamber of the Paraná State Tribunal of Justice in Appeal No. 86.382-5.

¹⁴ Excerpts from a decision handed down on June 1, 1999 by the Judge of the 16th Civil Chamber of Curitiba.

¹⁵ 22nd Federal Chamber of São Paulo State, Lawsuite No. 7999.67.00.009988-3.

¹⁶ 3rd. Civil Chamber of Florianópolis, Lawsuit No. 023000209719.

its own site (“www.vserver.com.br”). Although the defendant displayed a disclaimer on its home page stating that the site “www.geocities.com.br” had no affiliation with Geocities or Yahoo, the registration and use were deemed acts of bad-faith. The judge granted an ex parte preliminary injunction to prevent Vserver from using the Geocities domain name, on several grounds: the notoriety of trademark GEOCITIES, the fact that the plaintiff owned a registration for this mark, and the resulting confusion, dilution and devaluing of the GEOCITIES mark, if this domain name were permitted to be used. The court concluded that “fumus boni iuris” and “periculum in mora” were proved and suspended the registration of the domain name GEOCITIES.COM.BR.

Another significant ruling was issued on May 14, 2000 by the 7th Civil Court of São Paulo City.¹⁷ This suit was brought by TV Globo Ltda., Brazil’s major television network, against FAPESP, the entity responsible for registering Internet domain names in Brazil, and against ML Editora de Jornais e Revistas Ltda., a company that had registered as domain names the titles of two TV Globo shows: “jornalnacional.com.br” and “globoesporte.com.br.” The court ordered the defendant ML Editora to cease use of the domain names in question, under penalty of a daily fine of R\$ 1,000 (one thousand reais),¹⁸ plus awarded material damages of R\$ 500 (five hundred reais) per day counted from the day of the offending registration. The judge refused, however, to award damages for pain and suffering (danos morais —”moral damages”) because there was no loss to the plaintiff attributed to the confusion. The case is unusual in that a judgment was rendered in just over a year. This decision is on appeal to the São Paulo Tribunal of Justice. The ruling illustrates that under Brazilian law, it is not sufficient to be simply the first to file an application to register a domain name; the use of a domain name also must not infringe the well-known mark of another.

Other cases show, however, that there is no uniformity among courts in Brazil regarding cybersquatting. At least one appellate court has not favored the trademark owner. In this case, the United States company America Online, Inc. brought a lawsuit against the Brazilian company América On Line Telecomunicações Ltda.,¹⁹ which had set up its own Internet service provider at “www.aol.com.br.” The lower court issued a preliminary injunction suspending the use of this domain name by the Brazilian company, but the 4th Federal Appeals Tribunal overturned the lower court’s decision, finding that “a mark as industrial property cannot be confused with a domain name in the realm of computerized communications.” The appellate court also declared that the mere addition of “.br” differentiates the two domain names sufficiently to avoid confusion.

Indeed, the defendant company has become one of Brazil’s leading ISPs. Many users were certainly under the erroneous impression that the Brazilian company was a branch of the American company because of the international renown of America Online. In light of the

¹⁷ TV Globo Ltda. V. ML Editora de Jornais e Revistas Ltda. and FAPESP (Ordinary Suit No. 143/99).

¹⁸ About R\$ 500.

¹⁹ America Online, Inc. v. América On Line Telecomunicações Ltda. and FAPESP (Ordinary Suit No. 21. 576/00)

other decisions in Brazil, particularly the Geocities case, and based on the entire corpus of applicable law, this court's decision is an anomaly.

This case is also significant for the meandering procedural route it has taken. The appellate decision was appealed to the Superior Court of Justice, which decided that the federal courts did not have jurisdiction as there was no federal question implicated and further decided it was not competent to judge this case, because of the lack of interest of the federal government. The Superior Court further annulled all previously issued decisions in the case.

Subsequently, this case made its way through the State Court system. The first instance judge granted a preliminary injunction requested by AOL, based on the reasoning of the judge who issued the first decision under federal jurisdiction. The lower court decision was ultimately affirmed by the Court of Appeals, and the domain name "www.aol.com.br" was transferred to AOL Brasil Ltda., the Brazilian subsidiary of AOL U.S.

The focus on preliminary injunctive relief here is important. A normal civil suit for losses and damages may take several years to wend its way through the courts. The O Globo case discussed above was a stark exception. In general, there can be countless appeals and counterclaims at all stages and court levels in Brazil. These delays do not well serve a plaintiff whose domain name has been misappropriated, and who is in need of immediate relief. The reason is that continuing infringement can substantially reduce the value of a domain name based on a trademark very quickly. While restitution for losses and damages must be based on the direct effect of the injury caused, little can be done to repair the damage to the mark's image, once its value has been diminished. How does one measure lost credibility, public trust, and potential for rising valuation of a mark or domain name?

In view of these considerations, measures must be applied in Brazil that quickly restore the rights of the owners. What is needed in these cases, more than an award of damages, is immediate stanching of the damaging event.

Thus far, with the exception of the AOL case, Brazilian courts have taken a strong stance against cybersquatting, which should serve to discourage this illegal behavior in the future. There have also been a few recent instances where Brazilian complainants have utilized ICANN's dispute resolution mechanisms. One widely reported case involved O Globo and the same defendant, which had registered the names of its television shows in the United States as well as Brazil. The decision was again in favor of O Globo, and the United States registrations were ordered assigned to the Brazilian media giant.

Because of the international nature of the Internet and the reality of globalization, such dispute resolution panels as ICANN are already taking on great importance since the issues

sometimes go beyond a single jurisdiction. But the decisions of arbitrators still often need to be enforced in local courts. Hence, national laws and regulations continue to be important in the fight against cybersquatting and other Internet-related issues.

Thus, it is apparent that in the developing law of the Internet, Brazil to a large extent is shedding its former image as a typical Third World country with weak enforcement of industrial / intellectual property rights, and instead is aligning itself with the latest international legal trends regarding the Internet. The main drawback is that in Brazil it is still difficult to obtain relief expeditiously, as it is generally in trademark infringement and unfair competition disputes there.
