

The Paris Court of Appeal rules that cybersquatting infringes free competition principle (Hôtels Méridiens)

France, Procedures, Intellectual property, Unfair competition, Liability, Software & IT

Paris Court of Appeal (Cour d'Appel de Paris), March 7th, 2007, Hôtels Méridien vs. Sedo, Decision RG n° 2005/22798

A cybersquatting case having given rise to a litigation between Hôtels Méridiens and a company providing Internet domain names (thereinafter "The Online Player" or "The OP") gave the Paris Court of Appeal a new opportunity to render a judgement concerning the necessary complementary nature of the free competition principle, attached to trade and industry freedom, and the intellectual property rights.

An Internet user, who had registered the "hotelmeridien.fr" domain name, offered it for sale for 10.000 euros through the OP. Besides, the OP offered for sale other domain names that were quasi-similar or identical to the Hôtels Méridiens trademarks. Two of the domain names offered for sale led to a web page offering hypertext links for competitors' websites.

Considering that these facts constituted an infringement of its notorious "*Méridien*" and "*Le Méridien*" trademarks as well as its corporate name, Hôtels Méridiens instigated legal proceedings against the Internet user and the OP on the ground of trademark infringement (based on article L. 713-5 of the French Intellectual Property Code) and commercial name usurpation. Subsidiarily, Hôtels Méridiens argued that, pursuant to article 1382 of the French Civil Code, the domain names registration and commercial exploitation constituted a fault, in any case.

Because of the likelihood for the public to make an association with the Hôtels Méridiens' trademarks and corporate name when seeing the litigious domain named, first instance judges considered that the litigious domain name registration and offer for sale constituted an unjustified exploitation of the trademarks, corporate name and corresponding trade name. Judges stated that this unjustified exploitation constituted a significant case of infringement in compliance with article L. 713-5 of the French intellectual property code. They also held back the OP's responsibility on the ground of its participation as an intermediary to the litigious domain name offer for sale.

The Court of Appeal confirmed this judgement but extended the responsibility of the OP on the ground of the civil liability principle according to which any market operator shall ensure that its activity does not entail any illicit act.

The Court of Appeal analyzed the grounds of the online player's civil liability in compliance with article 6 of the French Law for Confidence in the Digital Economy dated 21 June 2004 (LCEN) [1] (I), and finally stated on the ground of the general concept of liability (II).

I. The specific cases of exemptions of liability provided by the LCEN turned down

1. As regards to the liability of the OP, the first issue for the judge consisted in determining whether the company may be qualified as a technical service provider or not.

In a nutshell, the main principle of LCEN, regarding liability is that technical intermediaries such as hosting service

providers ("HSP") or Internet service providers ("ISP") are not *prima facie* liable for the information stored or transmitted at the request of a recipient of the service.

In this case, the Court of Appeal decided that the OP may not be qualified as a technical intermediary insofar as the OP is a trade intermediary.

It is obvious that a company which sales domain names with commercial hypertext links as an intermediary through its website shall not be considered as an HSP.

2. There is a general trend by which French case law tends to narrow the scope of the definition of a technical intermediary by interpreting the LCEN rigorously.

In a recent case, the Paris Court of Appeal (7 June, 2006) held that Tiscali had to be considered as a publisher since its activities were not limited to technical aspects. Indeed, Tiscali enabled internet users to create their personal page through its web site, and used advertising position to its benefit.

This reasoning was almost the same as in another case where the Court held that Google was not a mere "storage service provider" because of its advertising activities (Paris First Instance Court (TGI Paris, 7 December 2006, Gifam vs. Google).

Therefore, it seems that as far as a technical intermediaries does not limit itself to technical tasks but intervenes on its content (including by making commercial benefits which could include a promotional benefit from the pages or by publishing any online contents), it shall not be considered as a technical intermediary. This material aspect and such statements lead to extend the scope of responsibility of any online player.

3. In addition, the judge underlined that because the OP was aware of the fact that the purchase of the domain name Hôtel Méridien was perilous, it would have nevertheless not benefit from the LCEN provisions.

Indeed, according to the LCEN, HSP are not responsible as long as they do not have actual knowledge of illegal activity or information, or upon obtaining such knowledge or awareness, they act expeditiously to remove or to disable access to the information.

The OP, perfectly aware of its perilous activity, did not act pursuant to those requirements and, as a result, was liable according to the judge. Needless to say that it may be challenging for an HSP to circumvent the impact of such case law and to know how they could, for instance, check the information given by a user.

II. A general concept of liability ?

The Court referred to a general concept by which the *"principle of loyalty and free competition attached to any commercial activities, compels a company operating on the market to ensure that its activity does not entail illegal acts to the prejudice of any other economic players"*.

In order to sanction the OP within the framework of similar infringement caused by the other litigious domain names, the Court of Appeal developed a different reasoning from the analysis of the first instance judges.

After having attested that the litigious domain names registration and offer for sale, and the existence of advertising hypertext links leading to several competing sites constituted an unjustified exploitation of the notorious trademarks, the Court judged that the OP, as any economic operator, was compelled by virtue of loyalty and free competition principles, to

ensure that its activity did not entail any illicit act to the prejudice of Hôtels Méridiens.

Therefore, the OP was sanctioned by the Court for having carelessly allowed (through its Internet domain name sales service) the running of cybersquatting activities and the insertion of hypertext links leading to competitors websites, which significantly infringe the concerned trademarks and trade names.

This solution is not a new one. One remembers that the Paris Court of Appeal has already referred to this principle to sanction Google within the framework of a similar case concerning the insertion of advertising commercial hypertext links (Paris Court of Appeal (Cour d'appel de Paris), 28 June 2006, Louis Vuitton vs. Google, n° CT0165). The judge using the same wording, decided that Google was liable on the ground of article Article 1382 of the French Civil Code .

Because the Court of Appeal could not pursue the infringing advertisers, it considered Google responsible for not having carried out any prior verification of the advertising offers that should be inserted in its websites. However, the litigious behaviours were sanctioned on the sole ground of trademark infringement.

This statement raised many questions within French authors. The Court relies its reasoning upon a wider principle of free competition legitimated by economic efficiency and loyalty between the different economic operators, which protection implies restriction of certain practices.

This concern of protection led the legislator and jurisdictions to restrict operators' freedom by prohibiting certain practices. Indeed, free competition and loyalty principles constitute the foundation of all national and Community rules prohibiting practices considered as preventing or restricting competition. The unfair competition theory is another illustration.

This principle would generate for any online player which carries on business, a duty which consists of ensuring that its activity does not entail any illicit act, especially with respect to trademark law.

This case illustrates the case law trend in this matter. After having sanctioned the economic operators which make easier the trademarks and trade name uses on Internet, on the ground of trademark infringements, and in order to avoid limitation due to the French "*principe de spécialité*" ("principle of speciality") underlined by authors, jurisdictions seem to move towards the sanction on the ground of a fault of online players pursuant to loyalty and free-competition principles.

Then, the Paris Court of first Instance, which has been recently led to rule against Google, sanctioned it for not having carried out prior control of the legality of the use by advertisers of key words constituting a trademark or a trade name, on the sole ground of liability principle (Gifam vs Google). The judges held that Google has committed a fault pursuant to article 1382 of the French Civil Code and was besides liable for misleading advertising, for failure to check that a key word chosen by the advertiser constituting a trademark, a corporate name or a domain name was chosen by infringing third party 's rights.

This case reminds that, overriding specific laws, the general liability principle laid down by the French civil code is currently used to sanction behaviours contrary to loyalty generated by new circumstances or new trade methods such as on the Internet.

[1] Loi n° 2004-575 du 21 juin 2004 pour la confiance dans l'économie numérique ; JORF n° 143, 22 juin 2004, p. 11168

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