

# The Trademark Reporter®



## The Law Journal of the International Trademark Association

Trademarks, Free Speech, and Fair Competition in a World of New Generic Top-Level Domains

*Alpana Roy and Althaf Marsoof*

How Gross Is Your Assignment? Actions Speak Louder Than Words When Transferring Goodwill

*Lynda Zadra-Symes and Jacob Rosenbaum*

*Book Review: Enforcement of Intellectual Property Rights in Africa.* Marius Schneider and Vanessa Ferguson.

*Stuart Green*

# INTERNATIONAL TRADEMARK ASSOCIATION

*Powerful Network Powerful Brands*

675 Third Avenue, New York, NY 10017-5704

Telephone: +1 (212) 642-1700

email: [wknnox@inta.org](mailto:wknnox@inta.org)

## OFFICERS OF THE ASSOCIATION

TIKI DARE .....	<i>President</i>
ZEEGER VINK.....	<i>President-Elect</i>
JOMARIE FREDERICKS.....	<i>Vice President</i>
DANA NORTHCOTT .....	<i>Vice President</i>
ELISABETH BRADLEY.....	<i>Treasurer</i>
DEBORAH HAMPTON .....	<i>Secretary</i>
ERIN HENNESSY .....	<i>Counsel</i>
ETIENNE SANZ DE ACEDO .....	<i>Chief Executive Officer</i>

## *The Trademark Reporter* Committee

### EDITORIAL BOARD

#### EDITOR-IN-CHIEF, CHAIR

GLENN MITCHELL

#### STAFF EDITOR-IN-CHIEF

WILLARD KNOX

#### Senior Editors

RAFFI V. ZEROUNIAN

PAMELA S. CHESTEK

FABRIZIO MIAZZETTO

BRYAN K. WHEELock

ANDREW J. GRAY

KAREN ELBURG

LESLEY GROSSBERG

VERENA VON BOMHARD

#### Director of Legal Resources

LIZ HANELLIN

#### Senior Staff Editor

BEVERLY HARRIS

#### Staff Editor

ELIZABETH VENTURO

#### Senior Legal Editor

ROSEMARY DESTEFANO

#### Composer

BARBARA MOTTER

#### Editors

GAIL NEVIUS ABBAS

THOMAS AGNELLO

EUGENY ALEXANDROV

TARA ALLSTUN

CHARLENE AZEMA

DANIEL BERESKIN

SUBHASH BHUTORIA

JULIAN BIBB

STEPHANIE BUNTIN

ROBERT CAMERON

JEANNETTE CARMADELLA

JACQUELINE CHORN

THEODORE H. DAVIS JR.

MICHAEL DENNISTON

CATHERINE ESCOBEDO

DÉSIRÉE FIELDS

ALEXANDRA GEORGE

STUART GREEN

STACY GROSSMAN

JORDI GÜELL

MICHAEL HANDLER

NATHAN HARRIS

BARRY HORWITZ

GANG HU

BRUCE ISAACSON

SIEGRUN KANE

INGRIDA KARINA-BERZINA

ELISABETH KASZNAR FEKETE

SONIA KATYAL

LINDSAY KOROTKIN

SCOTT LEBSON

SONAL MADAN

J. DAVID MAYBERRY

BRYCE MAYNARD

JAMES MCALLISTER

J. THOMAS MCCARTHY

CATHERINE MITROS

SHANA OLSON

R. TERRY PARKER

LUIS HENRIQUE PORANGABA

YASHVARDHAN RANA

BRANDON RESS

RICHARD RIVERA

SUSAN RUSSELL

FLORIAN SCHWAB

TOM SCOURFIELD

RINITA SIRCAR

GIULIO ENRICO SIRONI

RANDY SPRINGER

CORY STRUBLE

MARTIN VIEFHUES

JEFFREY WAKOLBINGER

RITA WEEKS

JOHN L. WELCH

MARTIN WIRTZ

#### Advisory Board

MILES ALEXANDER

WILLIAM BORCHARD

LANNING BRYER

JESSICA CARDON

SANDRA EDELMAN

ANTHONY FLETCHER

ROBERT KUNSTADT

THEODORE MAX

KATHLEEN MCCARTHY

JONATHAN MOSKIN

VINCENT PALLADINO

JOHN PEGRAM

ROBERT RASKOPF

PASQUALE RAZZANO

SUSAN REISS

PIER LUIGI RONCAGLIA

HOWARD SHIRE

JERRE SWANN, SR.

STEVEN WEINBERG

The views expressed in *The Trademark Reporter* (TMR) do not necessarily reflect those of the International Trademark Association (INTA). To fulfill its mission of delivering cutting-edge scholarship on trademarks, brands, and related intellectual property to its readers, the TMR sources content reflecting a diversity of viewpoints; the views expressed in any given article, commentary, or book review are those of the individual authors.

The TMR (ISSN 0041-056X) is published electronically six times a year by INTA, 675 Third Avenue, New York, NY 10017-5704 USA. INTA, the INTA logo, INTERNATIONAL TRADEMARK ASSOCIATION, POWERFUL NETWORK POWERFUL BRANDS, THE TRADEMARK REPORTER, and [inta.org](http://inta.org) are trademarks, service marks, and/or registered trademarks of the International Trademark Association in the United States and certain other jurisdictions.

# The Trademark Reporter®

(USPS 636-080)

---

Vol. 111

September–October, 2021

No. 5

---

## TABLE OF CONTENTS

### ARTICLE

- Trademarks, Free Speech, and Fair Competition in a World  
of New Generic Top-Level Domains  
Alpana Roy and Althaf Marsoof .....791
- How Gross Is Your Assignment? Actions Speak Louder Than  
Words When Transferring Goodwill  
Lynda Zadra-Symes and Jacob Rosenbaum .....838

### BOOK REVIEW

- Enforcement of Intellectual Property Rights in Africa*  
by Marius Schneider and Vanessa Ferguson  
Stuart Green .....854

# The Trademark Reporter®

## TRADEMARKS, FREE SPEECH, AND FAIR COMPETITION IN A WORLD OF NEW GENERIC TOP-LEVEL DOMAINS

*By Alpana Roy\* and Althaf Marsoof\*\**

### Table of Contents

I.	Introduction .....	792
II.	New Generic Top-Level Domains and Internet Freedom .....	794
III.	Overview of the New Generic Top-Level Domains Delegation Process and Dispute Settlement Mechanisms .....	799
IV.	Conflicts Between Trademark Proprietors and Third Parties During the New Generic Top-Level Domains Delegation Process.....	804
	A. String Confusion Objection .....	804
	B. Legal Rights Objection .....	806
	1. The LRO Standard.....	806
	2. LRO Disputes.....	810
	a. Disputes Involving New gTLDs Corresponding to Trademarks in Concurrent Use .....	811
	b. Disputes Involving New gTLDs Intended for Use As a Trademark .....	820
	c. Disputes Involving New gTLDs Intended for Non-trademark Use.....	827
V.	Conclusion.....	835

---

\* Dean of Law, Te Piringa Faculty of Law, University of Waikato, New Zealand.

\*\* Assistant Professor of Law and REP Fellow, Nanyang Business School, Nanyang Technological University, Singapore.

## I. INTRODUCTION\*\*\*

Trademarks are “signs” used for the purpose of distinguishing the goods or services offered by a trader from those of others. A sign could comprise anything—e.g., words, personal names, letters, numerals, figurative elements, and combination of colors<sup>1</sup>—so long as it is distinctive<sup>2</sup> and is capable of being represented suitably for registration.<sup>3</sup> More often than not, signs used as trademarks are coined from a word or combination of words used in everyday language, albeit when used in relation to a particular class of goods or services, they are distinctive enough to indicate the origin of those goods or services. The fact that common words can be used as trademarks has given rise to a need to balance the rights of trademark proprietors and the interests of third parties to make use of such signs in both commercial and non-commercial discourse. However, balancing these competing interests has become an arduous exercise in view of technological developments, especially the Internet, as demonstrated by the many trademark disputes that concern the online space.<sup>4</sup>

---

\*\*\* The authors thank Irene Calboli (Professor of Law at the Texas A&M University), Jacques de Werra (Professor of Law at the University of Geneva), and participants in the Geneva Internet Law Research Colloquium (held in 2019 at the Foundation Hardt, Geneva) and the IP & Innovation Researchers of Asia Conference (held in 2019 at the International Islamic University, Malaysia) for helpful comments on earlier drafts, Yuen Kit Kuan for research assistance, and the anonymous peer reviewers and editors of this journal for valuable feedback and edits.

<sup>1</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) (hereinafter TRIPS Agreement), art. 15:1.

<sup>2</sup> *Id.*

<sup>3</sup> In some countries, trademark rights are acquired through use. But in most countries, trademark rights are acquired through registration in a central register maintained by the country’s intellectual property or trademarks office. Therefore, it is imperative that signs are registered in a manner that permits third parties and the public to ascertain the true scope of the sign (to avoid potential conflicts). For instance, in some countries, such as Australia (Trade Marks Act 1995 (Cth), § 40), Singapore (Trade Marks Act 1998, § 2(1)), and India (Trade Marks Act 1999, § 2(1)(zb)), signs must be capable of being represented graphically before they could be registered. But in some others, such as Sri Lanka (Intellectual Property Act, § 101), only *visible* signs are capable of being registered. In the European Union, it is sufficient for a sign to be represented in a manner that would enable the “competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor” (Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to Approximate the Laws of the Member States Relating to Trade Marks (Recast) [2015] OJ L-336/1 [hereinafter EU Trade Marks Directive], art. 3).

<sup>4</sup> See, e.g., *Brookfield Comms. v. West Coast Ent. Corp.* 174 F.3d 1036 (9th Cir. 1999); Case C-657/11, *Belgian Electronic Sorting Technology NV v. Bert Peelaers and Visys NV*, 2013 ETMR 45, ECLI:EU:C:2013:516 (July 11, 2013) (for disputes involving the use of trademarks as metatags); *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2009); *Joined Cases C-236/08, C-237/08 and C-238/08, Google France Sarl v. Louis Vuitton Malletier SA*, 2010 ECR I-02417, ECLI:EU:C:2010:159 (Mar. 23, 2010); *Rosetta Stone Ltd. v. Google Inc.* 676 F.3d 144 (4th Cir. 2012); *Google Inc. v. Australian Competition and Consumer Commission* [2013] HCA 1 (Feb. 6, 2013) (for disputes involving the use of

This article considers a relatively recent development—i.e., new generic top-level domains (“new gTLDs”) introduced by the Internet Corporation for Assigned Names and Numbers (“ICANN”) in June 2011. Before that, top-level domains (“TLDs”), which form part of the domain name infrastructure, were limited to twenty-two generic top-level domains (“gTLDs”)—e.g., “.com,” “.biz,” “.gov,” and “.org”—and a limited number of country-code top-level domains (“ccTLDs”)—e.g., “.co.uk,” “.in,” “.sg,” and “.com.au.” When combined with a second-level domain—i.e., the string of letters or numbers that immediately precede a TLD (e.g., “example” in “example.com”)—this has enabled individuals, businesses, associations, governments, and other entities to register a potentially unlimited number of unique domain names. New gTLDs have increased that potential even further, as, subject to strings being delegated or introduced into the Internet by ICANN, it is theoretically possible to have a domain name that ends with any sequence of letters or numbers as TLDs. As of February 2021, ICANN had delegated 1239 of such new gTLDs.<sup>5</sup>

ICANN foresaw trademark disputes involving new gTLDs and implemented a number of mechanisms to avoid or minimize such disputes *before* strings are delegated as gTLDs. Such mechanisms can be collectively referred to as “*pre-delegation* dispute settlement mechanisms.” ICANN also extended its existing domain name dispute resolution procedures and, in addition, introduced new dispute settlement mechanisms to deal with trademark-related disputes that arise *after* strings have been delegated as gTLDs. Such mechanisms can be collectively referred to as “*post-delegation* dispute settlement mechanisms.” Once strings are delegated as gTLDs and in the event they function as *open registries*,<sup>6</sup> third parties may register second-level domains that end with such gTLDs.

Since both second-level domains and new gTLDs comprise alphanumeric strings derived from our everyday language, there is a possibility for such strings to resemble trademarks. When that happens, there is a potential for trademark disputes to arise in the manner in which such new gTLDs are intended for use after their delegation. In determining such disputes, it is crucial to balance the rights of trademark proprietors and the interests of third parties that seek to make use of new gTLDs. To that end, it is important to

---

trademarks for keywords-based advertising); and *L'Oréal SA v. eBay Inc.*, [2009] ETMR 53 (May 22, 2009); *Tiffany (NJ) Inc. v eBay Inc.* 600 F.3d 93 (2d Cir. 2010) (for disputes involving the sale of infringing or counterfeit goods on online platforms).

<sup>5</sup> ICANN, *Application Statistics: Overview* (Feb. 28, 2021), <https://newgtlds.icann.org/en/program-status/statistics>; list of delegated strings available at ICANN, *Delegated Strings: Overview* (Sept. 4, 2021), <https://newgtlds.icann.org/en/program-status/delegated-strings>.

<sup>6</sup> See note 26, *infra*, for explanation of “open registries.”

consider the extent to which ICANN's dispute settlement mechanisms that relate to its new gTLDs program are aligned with trademark law and policy, which incorporate certain specific safeguards to maintain a healthy balance between competing rights and interests. An inquiry of this kind is of significance because ICANN's dispute settlement mechanisms have been criticized for being biased toward the interests of trademark proprietors at the expense of free speech.<sup>7</sup> Indeed, it was not until late 2019 that ICANN introduced "human rights" as one of its core values in its bylaws for the first time,<sup>8</sup> albeit even that has been criticized for not carrying any legal weight.<sup>9</sup>

We begin our analysis by considering how new gTLDs have impacted Internet users in general and trademark proprietors in particular. We then consider ICANN's *pre-delegation* dispute settlement mechanisms and some of the key disputes that have had a significant impact in the field of trademark protection. In considering the extent to which these dispute settlement mechanisms are aligned with trademark law and policy, we specifically focus on the rationale for trademark protection and the theoretical foundations that underpin such protection.

## II. NEW GENERIC TOP-LEVEL DOMAINS AND INTERNET FREEDOM

Before moving on to trademark-specific issues, we consider how new gTLDs impact online activities, particularly the freedom businesses and other entities enjoy in expressing or presenting themselves on the Internet and engaging with online users.

In view of the numerous alphanumeric permutations and combinations that may be utilized in formulating new gTLD strings, it is easy to see how new gTLDs could significantly expand the scarce pool of available domain names<sup>10</sup> and enable businesses and

---

<sup>7</sup> See, e.g., Monika Zalnieriute, *Reinvigorating Human Rights in Internet Governance: The UDRP Procedure Through the Lens of International Human Rights Principles*, 43 Colum. J.L. & Arts 197 (2020); Nicholas Smith & Erik Wilbers, *The UDRP: Design Elements of an Effective ADR Mechanism*, 15 Am. Rev. Int'l Arb. 215 (2004); Orna Rabinovich-Einy, *The Legitimacy Crisis and the Future of Courts*, 17 Cardozo J. of Conflict Res. 23, 54 (2015); A. Michael Froomkin, *ICANN's "Uniform Dispute Resolution Policy"—Causes and (Partial) Cures*, 67 Brook. L. Rev. 605 (2002).

<sup>8</sup> ICANN, *Bylaws for Internet Corporation for Assigned Names and Numbers* (as amended on Nov. 28, 2019), art. 1.2(b)(vii) ("... within the scope of its Mission and other Core Values, respecting internationally recognized human rights as required by applicable law. This Core Value does not create, and shall not be interpreted to create, any obligation on ICANN outside its Mission, or beyond obligations found in applicable law. This Core Value does not obligate ICANN to enforce its human rights obligations, or the human rights obligations of other parties, against other parties").

<sup>9</sup> Monika Zalnieriute, *Human Rights Rhetoric in Global Internet Governance: New ICANN Bylaw on Human Rights*, 10 Harv. Bus. L. Rev. (2020).

<sup>10</sup> George B. Delta & Jeffrey H Matsuura, *Law of the Internet* § 8.02 (2012).

other entities to use domain names in creative ways.<sup>11</sup> At a broader level, new gTLDs could, theoretically, represent categories of goods and services, industries, standards, geographic locations, and other generic categories relevant to the sale and supply of goods or services. Thus, business entities offering the same or similar class of goods or services could use new gTLDs that represent a specific industry, such as “.hotels” for hotels or “.aero” for aeronautics, to create a niche marketplace in which they can gain greater exposure to relevant consumers.<sup>12</sup> However, given that the delegation of a string as a gTLD results in a *single* entity gaining exclusive control over the use of that domain, this could have an impact on Internet freedom, especially the freedom of expression<sup>13</sup> and freedom to engage in business.<sup>14</sup> This is especially true where multiple parties have a similar stake or legitimate interest over the use of a particular new gTLD string.<sup>15</sup> Disputes concerning “.africa”<sup>16</sup> and

- 
- <sup>11</sup> ICANN, *ICANN Approves Historic Change to Internet's Domain Name System* (June 20, 2011), <https://www.icann.org/news/announcement-2011-06-20-en>.
- <sup>12</sup> Joseph P. Smith III, *The Tangled Web: A Case Against New Generic Top-Level Domains*, 20 *Richmond J.L. & Tech.* 10, 17-18 (2014).
- <sup>13</sup> See Monika Zalnieriute & Thomas Schneider, *ICANN's Procedures and Policies in the Light of Human Rights, Fundamental Freedoms and Democratic Values* (2014), <https://rm.coe.int/16806fc29c>; Monika Zalnieriute, *ICANN's Corporate Responsibility to Respect Human Rights* (2015), <https://www.article19.org/data/files/medialibrary/37845/ICANN-PAPER-WEB.pdf>.
- <sup>14</sup> Jesse Kim, *Territoriality Challenges in Protecting Trademark Interests in the System of Generic Top-Level Domains (gTLDs)*, 18 *Marq. Intell. Prop. L. Rev.* 217, 234 (2014).
- <sup>15</sup> Samantha Bradshaw and Laura DeNardis, *The Politicization of the Internet's Domain Name System: Implications for Internet Security, Universality, and Freedom*, 20 *New Media & Society* 332, 335 (2018).
- <sup>16</sup> During the first round of ICANN's new gTLDs program, the ZA Central Registry (“ZACR”), a non-profit corporation formed to promote open standards and systems in computer hardware and software, and the DotConnectAfrica (“DCA”), a charitable organization formed to advance information technology education in Africa and provide access to Internet services for the African people, had both applied for the “.africa” new gTLD. Since a geographic name was involved, the backing of the African states was needed, which only the ZACR received. This gave rise to a dispute between the two applicants that spanned for over two years (from 2013 to 2015). The ZACR ultimately prevailed under ICANN's pre-delegation dispute resolution mechanism. However, in 2016, DCA filed legal action against both ZACR and ICANN before the United States District Court for the Central District of California, which granted a preliminary injunction preventing ICANN from delegating the “.africa” string to ZACR. *DotConnectAfrica Tr. v. Internet Corp. for Assigned Names & Numbers*, No. 16CV00862RGKJCX, 2016 WL 9136168 (C.D. Cal. Apr. 12, 2016). Interestingly, DCA's case was premised on free speech grounds, on the basis that if “.africa” is delegated to ZACR, DCA would lose the opportunity to acquire rights over “.africa.” However, for lack of jurisdiction, the case was remanded to the Superior Court of California, and DCA moved for a fresh preliminary injunction against ICANN. In 2017, the Superior Court of California denied the injunction on the ground that the “delay in the delegation of the .Africa gTLD is depriving the people of Africa of having their own unique gTLD.” *DotConnectAfrica Tr. v. Internet Corp. for Assigned Names & Numbers*, No. BC607494, at 5 (Super. Ct. Los Angeles Cty., Cal. Feb. 3, 2017). At present, “.africa” remains delegated to ZACA.



“.indians”<sup>17</sup> that arose during the first round of ICANN’s new gTLDs program illustrate the tensions that could arise during the process of delegating new gTLD strings.

As new gTLDs can “offer possible associations with the nature of activities and content available on websites registered with that particular TLD,”<sup>18</sup> they can function as a means to express views and ideas.<sup>19</sup> In that sense, ICANN’s determinations relating to the delegation of new gTLD strings are, in effect, content-related judgments,<sup>20</sup> somewhat analogous to editorial judgments made by media outlets.<sup>21</sup> This is relevant to the context of free speech on the Internet, as ICANN’s determinations affect access to information at a global level.<sup>22</sup> Thus, for instance, when a new gTLD string involves a community interest, there is a need to balance the freedom of expression of the community using that gTLD for expressive purposes, such as to promote the community’s identity and values through the control of a domain namespace, as against the interests of members of the public who are not part of the specific community but nevertheless have an interest in the use of the gTLD.<sup>23</sup>

In this regard, ICANN has a considerable role to play as the final arbiter in ensuring that those entrusted with the administration of new gTLDs do so in a manner that is conducive to Internet freedom, balancing the rights and interests of stakeholders with equally persuasive claims.<sup>24</sup> For instance, ICANN’s policy, as reflected in its Base Registry Agreement,<sup>25</sup> that new gTLDs with “generic strings”

---

<sup>17</sup> Reliance Industries Ltd., which owns the Mumbai Indians cricket team, had applied for the use of the “.indians” new gTLD. This application was later withdrawn. However, prior to withdrawal, the application had received a Government Advisory Committee (“GAC”) Early Warning from the Indian government on the basis that because the term “Indian” is primarily used to describe anything related to India—its people, culture, products, etc.—it would not be in the public interest for a private company to have exclusive rights to use the “.indians” gTLD.

<sup>18</sup> Wolfgang Benedek, Joy Liddicoat & Nico van Eijk, Comments Relating to Freedom of Expression and Freedom of Association with Regard to New Generic Top Level Domains 6 (2012), <https://rm.coe.int/09000016806abf42>.

<sup>19</sup> *Id.* at 7.

<sup>20</sup> *Id.* at 8.

<sup>21</sup> *Id.* at 9.

<sup>22</sup> *Id.* at 17.

<sup>23</sup> Eve Salomon and Kinanya Pijl, Applications to ICANN for community-based new Generic Top Level Domains (gTLDs): Opportunities and challenges from a human rights perspective 22 (2016), <https://rm.coe.int/16806be175>.

<sup>24</sup> Caroline Bricteux, *Regulating Online Content through the Internet Architecture: The Case of ICANN’s New gTLDs*, 7 J. Intell. Prop. Info. Tech. & Elec. Comm. Law 229, 241 (2016); Daniel L. Appelman, *Internet Governance and Human Rights: ICANN’s Transition Away from United States Control*, 1 The Clarion 1, 4 (2016).

<sup>25</sup> ICANN, *Base Registry Agreement* (July 31, 2017), <https://newgtlds.icann.org/sites/default/files/agreements/agreement-approved-redline-31jul17-en.pdf>. The Base Registry Agreement provides the template for all registry agreements between ICANN and the various registry operators.

(i.e., strings that describe a generic class of goods or services or a geographic location) must function as “open registries”<sup>26</sup> is aimed at ensuring that the use of new gTLDs does not suppress the freedom of Internet speech. Thus, where ICANN delegates a generic string as a gTLD, such as “.dresses” or “.bags,” the operators of such gTLDs cannot run a “closed registry.”<sup>27</sup> This condition is enforceable by ICANN.<sup>28</sup> This ensures that competing businesses in the relevant industry and third parties that have an interest may express themselves by registering second-level domains under such gTLDs.<sup>29</sup> However, in practice, this policy could be difficult to apply, as terms such as “apple,” “amazon,” “patagonia,” and “delta”<sup>30</sup> may not necessarily turn out to be generic in certain specific contexts,<sup>31</sup> especially when trademark rights come into play. ICANN must exercise great caution before determining whether or not to permit such strings to be utilized as gTLDs intended to function as closed registries.

More importantly, it has been suggested that trade and professional associations involved in regulating particular professions or industries may be interested in new gTLDs capable of representing those professions and industries.<sup>32</sup> Once such a new gTLD string is delegated to a representative association, this would

<sup>26</sup> *Id.* at specification 11, section 3(d) (“Registry Operator of a ‘Generic String’ TLD may not impose eligibility criteria for registering names in the TLD that limit registrations exclusively to a single person or entity and/or that person’s or entity’s ‘Affiliates’ (as defined in section 2.9(c) of the Registry Agreement). ‘Generic String’ means a string consisting of a word or term that denominates or describes a general class of goods, services, groups, organizations or things, as opposed to distinguishing a specific brand of goods, services, groups, organizations or things from those of others”). In other words, TLDs comprising “generic strings” must function as open registries. A registry operator running an “open registry” in respect of a TLD does not impose any eligibility criteria to limit second-level domain registrations to a single person or entity. Where TLDs are operated as open registries, second-level domain registrations are open to the public, or to a specified class of the public.

<sup>27</sup> A “closed registry” is one whereby no third party is permitted to register second-level domains under a particular TLD. *See* Jacqueline D. Lipton, *Free Speech and Other Human Rights in ICANN’s New Generic Top Level Domain Process: Debating Top-Down Versus Bottom-up Protections*, in *Research Handbook on Human Rights and Intell. Prop.* 377, 378 (Christophe Geiger ed., 2015).

<sup>28</sup> Base Registry Agreement, *supra* note 25, specification 11, section 3.

<sup>29</sup> Jacqueline Lipton & Mary Wong, *Trademarks, Free Speech, and ICANN’s New gTLD Process*, in *Trademark Protection and Territoriality Challenges in a Global Economy* 307, 319 (Irene Calboli & Edward Lee eds., 2014).

<sup>30</sup> Jacqueline Lipton, Centre for International Governance Innovation and Chatham House, *Looking Back on the First Round of New gTLD Applications: Implications for the Future of Domain Name Regulation 4* (2016), [https://www.cigionline.org/sites/default/files/gcig\\_no31web.pdf](https://www.cigionline.org/sites/default/files/gcig_no31web.pdf); Edward Nazzaro, *Welcome to the New Internet: The Great GTLD Experiment*, 1 *Indonesian J. Int’l & Comp. L.* 36, 58 (2014).

<sup>31</sup> Lipton, *supra* note 27, at 380.

<sup>32</sup> Ukeme Awakessien Jeter, *ICANN Dot-Anything: Rethinking the Scope of the New gTLD Expansion, Its Effect on Government Regulation, and Its Impact on Trademark Owners*, 102 *TMR* 962, 972 (2013).

allow the members of that association to register and use numerous second-level domains ending with the gTLD managed by the association to represent to Internet users and consumers certain specific qualities about themselves, such as the possession of certifications that signify specific professional or industry standards. In that sense, new gTLDs can perform a quality and standards assurance function, analogous to the ISO standard, increasing trust in the online space. The “.pharmacy” new gTLD, which has been delegated to the National Association of Boards of Pharmacy, may be cited as an example where the new gTLDs program has worked well as a mechanism to ensure standards and quality on the Internet.<sup>33</sup> However, for new gTLDs to operate in this way, ICANN has a significant role to play in ensuring that strings representing specific industries or standards are delegated to entities capable of ensuring those standards. During the first round of ICANN’s new gTLDs program, concerns arose about the lack of relevant industry experience and the for-profit nature of some private entities to which certain new gTLD strings, such as “.health,” were delegated.

At a narrower level, the new gTLDs program offers brand owners fresh opportunities to promote their brands using the respective “.brand” gTLD. While brand owners may wish to secure a “.brand” gTLD (e.g., “.nike”) as an alternative to their more conventional domain name (e.g., “brand.com”), the “.brand” gTLD could be most valuable to companies that have not been able to secure second-level domains representing their brands. Thus, for instance, if a brand owner missed out on registering the “brand.com” domain name, it might be able to operate its own “.brand” gTLD as an effective alternative.<sup>34</sup> This may be more appealing than the brand owner having to choose a new domain name by combining a second-level domain and gTLD that may not necessarily be as closely related to its identity or purpose.<sup>35</sup> Even if a brand owner already does own a second-level domain representing its brand, it may still benefit by owning the corresponding “.brand” gTLD. After all, this would enable the brand owner to exercise control over who uses the gTLD and how second-level domains can be used in respect of it.<sup>36</sup> For instance, the brand owner might limit the use of the “.brand” gTLD to itself and authorized third parties, such as

---

<sup>33</sup> Tim K. Mackey & Gaurvika Nayyar, *Digital danger: a review of the global public health, patient safety and cybersecurity threats posed by illicit online pharmacies*, 118 Brit. Med. Bull. 115, 127 (2016).

<sup>34</sup> Brian W. Borchert, *Imminent Domain Name: The Technological Land-Grab and ICANN’s Lifting of Domain Name Restrictions*, 45 Val. U. L. Rev. 505 (2011).

<sup>35</sup> Joshua M. Borson, *A World of Infinite Domain Names: Why ICANN’s New GTLD Policy Inadequately Addresses Consumer Protection and Legitimate Trademark Concerns*, 58 Wayne L. Rev. 481, 496 (2012).

<sup>36</sup> Jeter, *supra* note 32, at 971.

licensed retailers of its products.<sup>37</sup> This means that online consumers can rely on the “.brand” gTLD to trust the authenticity of the landing website. In effect, online consumers could utilize brand-related gTLDs to ensure that they do not land on websites that engage in diversions, infringements, counterfeiting, and phishing.<sup>38</sup> In addition, a brand owner with control over the “.brand” gTLD may use shorter and more intuitive domain names like “products.brand,” “news.brand,” and “jobs.brand” to better manage its domain namespace and direct online users to parts of its website that are most relevant to them.<sup>39</sup> While new gTLDs present brand owners with fresh opportunities, ICANN must ensure that the delegation of new gTLD strings in favor of trademark proprietors does not hinder the interests of third parties, especially where the trademarks represented by those strings are “generic” or “descriptive” and capable of attracting multiple meanings and use in ordinary language.

On the whole, it is reasonable to posit that new gTLDs have a liberating effect, allowing businesses and other entities to engage with online users in novel ways, while at the same time increasing the trust that online users place on the Internet, especially because new gTLDs can act as markers for goods or services, and even content, of a certain expected quality or standard. However, since the delegation of a string as a gTLD gives exclusive control over the use of that domain to a single entity (i.e., the registry operator), it is crucial for such delegation to take place within a transparent, fair, and balanced administrative framework. To achieve this, ICANN has put into place certain safeguards, which are considered below with a specific focus on the ones that have implications for the trademark context.

### III. OVERVIEW OF THE NEW GENERIC TOP-LEVEL DOMAINS DELEGATION PROCESS AND DISPUTE SETTLEMENT MECHANISMS

ICANN delegates new gTLD strings after calling for applications periodically. The new gTLDs program has seen one round so far, for which the application window was between January and April 2012. Consequently, in October 2013, the first set of new gTLD strings were delegated. By applying for a new gTLD, in effect, the applicant

---

<sup>37</sup> Dennis S. Prahla & Eric Null, *The New Generic Top-Level Domain Program: A New Era of Risk for Trademark Owners and the Internet*, 101 TMR 1757, 1758 (2011).

<sup>38</sup> Mark V. B. Partridge & Jordan A. Arnot, *Expansion of the Domain Name System: Advantages, Objections and Contentions*, 22 DePaul J. Art, Tech. & Intell. Prop. L. 317, 321 (2012).

<sup>39</sup> See the “.gucci” example in Eric J. Shimanoff, *The “Dot” Times They Are A-Changin’: How New Generic Top Level Domains (gTLDs) Will Change Consumer Perception About the Internet*, 32 Cardozo Arts & Ent. L. J. 891, 917 (2014).

hopes to assume the role of a registry operator<sup>40</sup> of that gTLD. The registry operator becomes entitled to use the new gTLD for its own purposes or permit third parties to register second-level domains in respect of that gTLD, subject to certain restrictions and conditions as set out by ICANN in its policy and guidelines. According to the new gTLD Applicant Guidebook (“Applicant Guidebook”), such applicants must be “[e]stablished corporations, organizations, or institutions in good standing.”<sup>41</sup> To determine good standing, ICANN carries out a background screening of the applicant’s general business diligence and criminal history, as well as its history of cybersquatting behavior, if any.<sup>42</sup> Next, ICANN conducts an initial evaluation, which consists of a string review and an applicant review. The string review is to determine whether:

1. the applied-for new gTLD string is similar to other strings so as to create a probability of user confusion;<sup>43</sup>
2. the applied-for new gTLD string might adversely affect Domain Name System (“DNS”) security or stability;<sup>44</sup> and
3. evidence of requisite government approval is provided in the case of certain geographic names.<sup>45</sup>

The applicant review aims to determine “whether the applicant has the requisite technical, operational, and financial capabilities to operate a registry.”<sup>46</sup>

During the application process, parties with standing<sup>47</sup> may submit formal objections against the delegation of strings as new gTLDs. These objections are as follows:

1. *String Confusion Objection (“SCO”)*: The applied-for new gTLD string is confusingly similar to an existing TLD or another applied-for new gTLD string in the same round of applications.<sup>48</sup> This can include “confusion based on any type

<sup>40</sup> ICANN, *Domain Name Registration Process* (July 2017), <https://whois.icann.org/en/domain-name-registration-process>.

<sup>41</sup> ICANN, *gTLD Applicant Guidebook* (June 4, 2012) [hereinafter Applicant Guidebook], para. 1.2.1, <https://newgtlds.icann.org/en/applicants/agb/guidebook-full-04jun12-en.pdf>.

<sup>42</sup> *Id.* at para. 2.1.

<sup>43</sup> *Id.* at para. 2.2.1.1 (“This review involves a preliminary comparison of each applied-for gTLD string against existing TLDs, Reserved Names [. . .], and other applied-for strings”). The Applicant Guidebook further provides that “similar” means strings so similar that they create a probability of user confusion if more than one of the strings is delegated into the root zone and that this involves a consideration of their visual similarity.

<sup>44</sup> *Id.* at para. 2.2.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at para. 1.1.2.5.

<sup>47</sup> *Id.* at para. 3.2.1 (setting out the relevant standing requirements for such applicants).

<sup>48</sup> *Id.*

of similarity (including visual, aural, or similarity of meaning).<sup>49</sup>

2. *Legal Rights Objection (“LRO”)*: The applied-for new gTLD string “infringes the existing *legal rights* of the objector.”<sup>50</sup>
3. *Limited Public Interest Objection*: “The applied-for gTLD string is contrary to generally accepted legal norms of morality and public order that are recognized under principles of international law.”<sup>51</sup>
4. *Community Objection*: “There is substantial opposition to the gTLD application from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted.”<sup>52</sup> Where the community invoked by the objecting organization is a clearly delineated community whose opposition to the applied-for gTLD string is substantial, and where there is a strong association with the string and the community concerned creating a likelihood of material detriment to the rights or legitimate interests of a significant portion of that community, the dispute may be decided in favor of the objector, with the result of the applied-for string being rejected from the delegation process.<sup>53</sup>

If an objection is filed in respect of a new gTLD application, the conflicting rights and/or interests of the applicant and the objector must be resolved through a process of dispute resolution and by the relevant independent Dispute Resolution Service Provider (“DRSP”) appointed by ICANN to handle disputes based on a particular ground of objection.<sup>54</sup>

Where an applied-for string has been determined as confusingly similar to another applied-for string in the same round of applications, either by a String Similarity Panel or a DRSP dealing with SCOs, then such strings are placed in a contention set. Before any formal resolution process, applicants that find themselves in a contention set are encouraged to reach a settlement in two possible ways. The first is where the applicants reach a compromise allowing

---

<sup>49</sup> *Id.* at para. 2.2.1.1.3.

<sup>50</sup> *Id.* at para. 3.2.1.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at para. 3.5.4.

<sup>54</sup> *Id.* at Attachment to Module 3, New gTLD Dispute Resolution Procedure, art. 3 (stating that String Confusion Objections (or SCOs) shall be administered by the International Centre for Dispute Resolution, Legal Rights Objections (or LROs) shall be administered by the Arbitration and Mediation Center of the World Intellectual Property Organization (“WIPO”), Limited Public Interest Objections shall be administered by the International Centre for Expertise of the International Chamber of Commerce, and Community Objection shall be administered by the International Centre for Expertise of the International Chamber of Commerce).

only one to continue with the new gTLD application. The second is through the formation of joint ventures—i.e., where two or more applicants combine “in a way that does not materially affect the remaining application”—although joint ventures that do result in a material change may have to be re-evaluated.<sup>55</sup> If the applicants in a contention set are unable to come to a settlement, then the contesting gTLD strings must proceed to a stage known as “String Contention Resolution.”

Applicants whose applications relate to a community-based new gTLD can choose to have a Community Priority Panel carry out a community priority evaluation.<sup>56</sup> The panel must consider whether the community-based new gTLD string in the contention set should prevail over other standard or community-based new gTLD strings in the same contention set by satisfying the following community priority criteria:

1. community establishment (i.e., the extent to which the community could be regarded as clearly delineated, its size, and longevity);
2. nexus between the applied-for gTLD string and the community;
3. registration policies (i.e., the conditions that the applicant will set for prospective second-level domain names in operating the gTLD registry); and
4. community endorsement.<sup>57</sup>

Where a community-based new gTLD applicant does not prevail in a contention set or does not elect to undergo a community priority evaluation or the contention set is between standard applications, the string contention resolution process will move on to an auction.<sup>58</sup> As the prices for the applications rise in the auction, applicants will successively choose to exit from the auction. The auction ends when a sufficient number of applications have been eliminated so that no direct contentions remain (i.e., the remaining applications are no longer in contention with one another, and all the relevant strings can be delegated as gTLDs).<sup>59</sup>

Once an application for a new gTLD successfully goes through all of the stages above, ICANN then delegates the new gTLD string to the applicant and enters into a registry agreement, which deals with a gTLD registry operator’s obligations, particularly in respect of registering domain names in relation to the gTLD covered by a particular registry agreement. After the delegation of new gTLD

---

<sup>55</sup> *Id.* at para. 4.1.3.

<sup>56</sup> *Id.* at para. 4.2.2.

<sup>57</sup> *Id.* at para. 4.2.3.

<sup>58</sup> *Id.*

<sup>59</sup> *Id.* at para. 4.3.1.

strings, registry operators must implement and adhere to the following rights protection mechanisms:

1. Trademark Clearinghouse Requirements;<sup>60</sup>
2. Trademark Post-Delegation Dispute Resolution Procedure (“Trademark PDDRP”);<sup>61</sup>
3. Registration Restriction Dispute Resolution Procedure;<sup>62</sup>
4. Uniform Rapid Suspension System (“URS”);<sup>63</sup> and
5. Public Interest Commitment Dispute Resolution Procedure.<sup>64</sup>

Importantly, ICANN’s Uniform Domain Name Dispute Resolution Policy (“UDRP”) applies to all registry operators and domain name registrars,<sup>65</sup> including those responsible for new gTLDs.<sup>66</sup>

Among the dispute resolution mechanisms set out above, the SCO and LRO, which apply *before delegation*, as well as the URS and UDRP, which apply *after delegation*, play a crucial role in determining disputes between trademark proprietors and third parties.<sup>67</sup> In the following part, we consider the SCO and LRO dispute settlement mechanisms in detail to assess whether they are sufficiently aligned with trademark law and policy, especially with regard to balancing the rights of trademark proprietors and the interests of third parties.

---

<sup>60</sup> Base Registry Agreement, *supra* note 25, at specification 7, section 1; *see also* ICANN, *Trademark Clearinghouse Requirements* (Nov. 12, 2013), <https://newgtlds.icann.org/en/about/trademark-clearinghouse/rpm-requirements-14may14-en.pdf>.

<sup>61</sup> *Id.* at specification 7, section 2; *see also* ICANN, *Trademark Post-Delegation Dispute Resolution Procedure* (June 4, 2012) [hereinafter Trademark PDDRP] <https://newgtlds.icann.org/en/applicants/agn/pddrp-04jun12-en.pdf>.

<sup>62</sup> *Id.* at specification 7, section 2; *see also* ICANN, *Registration Restrictions Dispute Resolution Procedure* (June 4, 2012) <http://newgtlds.icann.org/en/applicants/agn/rrdrp-04jun12-en.pdf>.

<sup>63</sup> *Id.* at specification 7, section 2; *see also* ICANN, *Uniform Rapid Suspension System Procedure* [hereinafter URS Procedure] (Mar. 1, 2013) <https://newgtlds.icann.org/en/applicants/urs/procedure-01mar13-en.pdf>.

<sup>64</sup> *Id.* at specification 11, section 2; *see also* ICANN, *Public Interest Commitment Dispute Resolution Procedure* (Feb. 1, 2020) <http://newgtlds.icann.org/en/applicants/agn/picdrp-01feb20-en.pdf>.

<sup>65</sup> ICANN, *Uniform Domain Name Dispute Resolution Policy* (Aug. 26, 1999) [hereinafter UDRP] <https://www.icann.org/resources/pages/policy-2012-02-25-en>.

<sup>66</sup> WIPO, *Domain Name Dispute Resolution Service for Generic Top-Level Domains*, <https://www.wipo.int/amc/en/domains/gtld/>.

<sup>67</sup> For an overview of these dispute resolution mechanisms in the trademark context, *see* Alpana Roy & Althaf Marsoof, *The Brave New World of ICANN’s “New gTLDs”: an Overview*, 40 EIPR 649 (2018).



#### IV. CONFLICTS BETWEEN TRADEMARK PROPRIETORS AND THIRD PARTIES DURING THE NEW GENERIC TOP-LEVEL DOMAINS DELEGATION PROCESS

In this part, we focus on two types of objections that can be filed in respect of a new gTLD application—i.e., the SCO, which seeks to deal with similarities between an applied-for string and other applied-for strings or existing TLDs, and the LRO, which deals with objections to new gTLD strings that conflict with existing legal rights of others.

##### *A. String Confusion Objection*

The relevance of the SCO to the context of trademarks is somewhat limited. First, under this objection, only those who have either applied for a new gTLD or who already operate and run a TLD have standing to file an objection. As such, unless an applied-for string or an existing TLD comprises or contains elements of a trademark, there could hardly be any trademark-related issue that arises from an SCO. Second, the objective of the SCO is not to address trademark issues or other legal rights. Instead, an expert panel dealing with an SCO is required to consider whether string confusion exists between two applied-for strings or an applied-for string and an existing TLD. The Applicant Guidebook provides the following standard for “string confusion”:

String confusion exists where a string *so nearly resembles* another that it is likely to deceive or cause confusion. *For a likelihood of confusion to exist, it must be probable, not merely possible that confusion will arise in the mind of the average, reasonable Internet user. Mere association, in the sense that the string brings another string to mind, is insufficient to find a likelihood of confusion.*<sup>68</sup>

Although the standard as mentioned above has a striking similarity to the standard applied under trademark law, such as the “likelihood of confusion” test<sup>69</sup> and the notion that “[m]ere association [. . .] is insufficient to find a likelihood of confusion,”<sup>70</sup>

---

<sup>68</sup> Applicant Guidebook, *supra* note 41, at para. 3.5.1 (emphasis added).

<sup>69</sup> See TRIPS Agreement, *supra* note 1, at art. 16:1; EU Trade Marks Directive, *supra* note 3, at art. 10(2)(b)); and national trademark legislation such as the United States Lanham Act of 1946 (as amended) [hereinafter Lanham Act] § 43(a), 15 U.S.C. § 1114(a) (2018) (which incorporate this standard).

<sup>70</sup> For instance, although Article 10(2)(b) of the EU Trade Marks Directive, *supra* note 3, provides that “the likelihood of confusion includes the likelihood of association,” the Court of Justice of the European Union (“CJEU”) in interpreting that provision (as found in the older 1988 trademarks directive) has ruled that “the mere association which the public might make between two trade marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of

the focus of the SCO standard is purely on the confusing similarity between two competing *strings* without reference to any legal rights in the use of those strings.<sup>71</sup> This is much narrower than the usual assessment of the likelihood of confusion in typical trademark infringement suits, where many factors, such as the similarity between the competing signs and the similarity between the underlying goods or services, are employed to determine confusion.<sup>72</sup> As such, the SCO has limited use to trademark proprietors.

Therefore, it is not surprising that only a handful of disputes under the SCO have concerned trademarks. For instance, Verisign, the registry operator for “.tv” and “.net,” objected to the delegation of “.itv”<sup>73</sup> and “.nec,”<sup>74</sup> respectively. This was in circumstances where both applied-for strings represented the well-known trademarks (i.e., “ITV” and “NEC”) of two new gTLD applicants. In both cases, the objection failed because the objector was unable to satisfy the panel that there was likely to be a probability of confusion in the mind of the average, reasonable Internet user with respect to the competing strings.<sup>75</sup>

But of all SCOs decided so far, there was only one dispute in which both the new gTLD applicant and the objector relied on their

confusion within the meaning of that provision.” Case C-251/95, *SABEL BV v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-06191 ECLI:EU:C:1997:528, para. 26 (Nov. 11, 1997).

<sup>71</sup> See *Universal Postal Union v. Deutsche Post AG*, ICDR Case No. 50 504 T 217 13, at 7 (July 15, 2013) (“However, it would not be proper for a String Confusion Panel to engage in an analysis based on a legal rights objection . . .”).

<sup>72</sup> For instance, in the European Union, likelihood of confusion is assessed globally, taking into account numerous factors. See, e.g., Case C-251/95, *SABEL BV v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-06191 ECLI:EU:C:1997:528, para. 22 (Nov. 11, 1997) (“the appreciation of the likelihood of confusion depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified. The likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case”). Similarly, in the United States, where the competing trademarks are used in respect of *related goods*, courts have often employed a multi-factor test, that captures the circumstances in which the trademarks are being used in commerce, to determine infringement. See, e.g., *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (1961) (“Where the products are different, the prior owner’s chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant’s good faith in adopting its own mark, the quality of defendant’s product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account”).

<sup>73</sup> *Verisign Switzerland SA v. ITV Services Limited*, ICDR Case No. 50 504 T 00262 13 (Aug. 9, 2013).

<sup>74</sup> *Verisign Inc. v. NEC Corp.*, ICDR Case No. 50 504 T 00222 13 (Aug. 8, 2013).

<sup>75</sup> *Verisign*, ICDR Case No. 50 504 T 00262 13, at 5; *Verisign*, ICDR Case No. 50 504 T 00222 13, at 4.

trademarks to substantiate their respective positions. This dispute concerned an SCO filed by Merck & Co., Inc. in connection with its MERCK trademark, in circumstances where it had also applied for the “.merck” gTLD.<sup>76</sup> The new gTLD applicant, Merck KGaA, had applied for the “.emerck” gTLD, which corresponded with its EMERCK trademark. On the issue of string confusion, the expert panel held that there was insufficient evidence that the average, reasonable Internet user would be confused between “.merck” and “.emerck.”<sup>77</sup> Although it was acknowledged that the two trademarks had coexisted for over 160 years,<sup>78</sup> the panel expressly held that any contention regarding trademark infringement ought to be dealt with in terms of the LRO mechanism,<sup>79</sup> which we discuss below.

Accordingly, the decisions mentioned above indicate that the SCO does not aim to deal with issues concerning trademarks, albeit in some disputes, the new gTLD strings may represent well-known trademarks. As a dispute settlement mechanism, ICANN’s SCO does not seek to align itself with trademark law and policy.

### ***B. Legal Rights Objection***

The LRO permits a “rightholder” to file an objection against the delegation of a new gTLD string. The term “rightholder” has not been defined in the Applicant Guidebook. But by providing that “[t]he source and documentation of the existing legal rights the objector is claiming (*which may include either registered or unregistered trademarks*) are infringed by the applied-for gTLD must be included in the filing,”<sup>80</sup> the Applicant Guidebook makes it clear that trademark proprietors are to be considered rightholders who may file an objection under the LRO mechanism. Therefore, it is not surprising that trademark infringement claims have dominated LRO disputes in contrast to disputes under the SCO mechanism.

#### **1. The LRO Standard**

For an objection to succeed, a trademark proprietor filing the LRO must establish that:

the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the

---

<sup>76</sup> Merck & Co Inc. v. Merck KGaA, ICDR Case No. 50 504 T 00280 13 (Aug. 9, 2013).

<sup>77</sup> *Id.* at 10.

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> Applicant Guidebook, *supra* note 41, at para. 3.2.2.2 (emphasis added). Apart from trademark proprietors, the Applicant Guidebook also recognizes two other categories—namely, intergovernmental organizations and specialized agencies of the United Nations.

reputation of the objector's registered or unregistered trademark or service mark ("mark") [. . .] or unjustifiably impairs the distinctive character or the reputation of the objector's mark [. . .] or otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector's mark. . . .<sup>81</sup>

The standard set out above for determining objections under the LRO mechanism has striking similarities with the standard for assessing confusion-based infringement and dilution claims in typical trademark disputes. For instance, the first two limbs of the LRO standard, that is, whether the potential use of the applied-for gTLD would *take unfair advantage of the distinctive character or the reputation* of the objector's trademark or such potential use would *unjustifiably impair the distinctive character or the reputation* of the objector's trademark, resemble the standard applied in typical dilution and tarnishment cases.<sup>82</sup> It is clear that the LRO standard aims to protect trademark proprietors from dilution by blurring or tarnishment. Similarly, the last limb of the test, that is, whether the potential use of the applicant's new gTLD would create an impermissible *likelihood of confusion between the applied-for gTLD and the objector's mark*, in essence, resembles the test for confusion-based trademark infringement.<sup>83</sup> This aspect of the LRO standard protects trademark proprietors against the use of new gTLDs in ways that could give rise to confusion among consumers.

Despite the similarities, there are also some notable differences in the language employed in defining the LRO standard and the standard usually applied by courts in determining confusion-based trademark infringement and dilution. First, regarding confusion-based infringement, the LRO standard requires rightholders to establish an *impermissible* likelihood of confusion. Arguably, the addition of "impermissible" before "likelihood of confusion" suggests a heightened threshold that rightholders must cross in order to succeed in LRO proceedings, in comparison with the corresponding threshold applied in actions for trademark infringement. It appears that a certain degree of permissible confusion will be tolerated by seeking to prevent instances of *impermissible* likelihood of confusion under the LRO standard. However, this is not necessarily inconsistent with the conventional approach under trademark law.

---

<sup>81</sup> *Id.* at para. 3.5.2.

<sup>82</sup> TRIPS Agreement, *supra* note 1, at art. 16:3; EU Trade Marks Directive, *supra* note 3, at art. 10(2)(c); Lanham Act, *supra* note 69, at § 43(c)(1) and (2)(B), 15 U.S.C. § 1114(c)(1) and (2)(B).

<sup>83</sup> TRIPS Agreement, *supra* note 1, at art. 16:1; EU Trade Marks Directive, *supra* note 3, at art. 10(2)(b); Lanham Act, *supra* note 69, at § 32(1)(a) and (b), 15 U.S.C. § 1114(1)(a) and (b).

For instance, the defense of *descriptive use*,<sup>84</sup> which permits third parties to use trademarks in a non-trademark sense to describe their goods or services, and the *own name* defense,<sup>85</sup> which permits the use of someone's own name as a trademark or trade name despite its similarity with an existing trademark, tolerate a certain degree of confusion.<sup>86</sup> As such, the use of "impermissible" before "likelihood of confusion" in setting out the LRO standard is not inconsistent with the approach toward infringement under trademark law.

Second, it is noteworthy that national trademark statutes that implement the standards set out in the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") usually require confusion or dilution to be determined in relation to the unauthorized use of a mark "in the course of trade" or "in commerce."<sup>87</sup> This is an important check to ensure that a third party's use of a trademark in non-commercial contexts is not hindered at the instance of trademark proprietors.<sup>88</sup> However, the LRO standard does not require the "potential use of the applied-for gTLD" to be in the course of trade. This suggests that the LRO standard is broader than the standard applied under conventional trademark law. But arguably, this may not be problematic *in practice*, as those who apply for new gTLDs, *most commonly*, do so

---

<sup>84</sup> Article 17 of the TRIPS Agreement, *supra* note 1, permits limited exceptions to the rights of a trademark proprietor and this specifically includes the "fair use of descriptive terms." Similarly, Article 14(1)(b) and (c) of the EU Trade Marks Directive, *supra* note 3, expressly provides for such descriptive uses. Also, § 33(b)(4) of the Lanham Act, 15 U.S.C. § 1115(b)(4), *supra* note 69, limits a trademark proprietor's right to prevent the use a trademark in circumstances where the third party's use of the mark is "descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin."

<sup>85</sup> EU Trade Marks Directive, *supra* note 3, at art. 14(1)(a) and Lanham Act, *supra* note 69, at § 33(b)(4), 15 U.S.C. § 1115(b)(4).

<sup>86</sup> See Adam Brookman, *Trademark Law* § 12-54 (2d ed. 2014) ("What matters is whether the defendant uses the asserted mark descriptively, and not as a mark. If a defendant is able to make this proof, then public confusion will be tolerated, as it must be") and ("Although confusion is not in the public interest, the Supreme Court has held that it must sometimes be tolerated given competitors' needs to describe themselves truthfully").

<sup>87</sup> TRIPS Agreement, *supra* note 1, at art. 16:1 ("The owner of a registered trademark shall have the exclusive right to prevent all third parties [. . .] from *using in the course of trade*"; emphasis added); EU Trade Marks Directive, *supra* note 3, at art. 11(2) ("the proprietor of that registered trade mark shall be entitled to prevent all third parties not having his consent from *using in the course of trade*"; emphasis added) and Lanham Act, *supra* note 69, at § 32(a), 15 U.S.C. § 1114(1)(a) ("Any person who shall, without the consent of the registrant [. . .] *use in commerce*"; emphasis added); and § 43(c)(1), 15 U.S.C. § 1125(c)(1) ("the owner of a famous mark that is distinctive [. . .] shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name *in commerce*"; emphasis added).

<sup>88</sup> See Patricia Loughlan, *Trademarks: Property Rights and Their Limits* 31 Monash University L. Rev. 273 (2005); Patricia L. Loughlan, *Protecting Culturally Significant Uses of Trade Marks (Without a First Amendment)*, 22 EIPR 328 (2000).

with the aim of running open registries—i.e., with the intent of allowing third parties to register second-level domains for a fee, giving rise to a commercial activity. Even where an application is for a closed registry, it is *often* for the applicant’s own commercial purposes—e.g., where the new gTLD represents the applicant’s trademark. This means that LRO proceedings are *less likely* to concern new gTLDs intended for purely *non-commercial* activities (i.e., for uses that are not “in commerce” or “in the course of trade”). Perhaps this might have been the thinking behind ICANN’s framing of the LRO standard in this manner, as commercial activity is *almost* always envisaged when new gTLDs are delegated to registry operators. But there can and will be purely non-commercial new gTLDs (e.g. “.catholic” has been delegated). Surely, trademark proprietors will object if the intended use of such gTLDs is likely to cause confusion or dilution. When they do so, the fact that the applied-for new gTLD is not intended for use “in commerce” or “in the course of trade,” without more, will not prevent a finding in favor of an objecting trademark proprietor. This suggests that the LRO standard is seemingly broader than the standard applied under conventional trademark law to determine infringements.

Third, the LRO standard deviates from the conventional approach under trademark law in a fundamental way. That is, for an infringement claim to be successful, a third party must have made use of a mark *in relation to* goods or services that are *identical or similar* to those for which the claimant’s trademark is registered. For dilution claims, such use can also relate to dissimilar goods or services. This requirement is conspicuously absent in the LRO standard, in effect indicating that a trademark proprietor may, *in principle*, object to the delegation of a new gTLD string even without the gTLD’s potential or intended use in relation to any specific goods or services. The question of use in the more conventional trademark sense would most likely arise where a new gTLD is intended for use as a closed registry. In such a scenario, it is likely that the applicant intends to use the new gTLD to promote its own goods or services. The Applicant Guidebook specifically addresses this possibility when it requires LRO panels to consider the applicant’s “intent in applying for the gTLD”<sup>89</sup> and the “extent the applicant has used, or has made demonstrable preparations to use, the sign corresponding to the gTLD in connection with a bona fide offering of goods or services or a bona fide provision of information.”<sup>90</sup> Arguably, by consulting these factors, LRO panels may consider any intended use of a new gTLD in respect of goods or services in determining any confusion or dilution. But importantly, the use of the new gTLD in respect of the supply of goods or services is not a requirement for a

---

<sup>89</sup> Applicant Guidebook, *supra* note 41, at para. 3.5.2, factor 4.

<sup>90</sup> *Id.* at factor 5.

finding in favor of the objecting trademark proprietor. Thus, in this sense, the LRO standard is seemingly broader than the standard applied under conventional trademark law.

Last, the LRO standard extends trademark protection usually afforded to well-known or famous marks to both registered and unregistered marks that are not necessarily well known or famous. Arguably, this is a significant departure that allows proprietors of marks that have not yet achieved well-known status to prevent new gTLDs from being delegated in circumstances where the potential use of the new gTLD could dilute the distinctive character or repute of the mark. Once again, this is another feature that indicates the significant breadth of the LRO standard in comparison with the standard applied under conventional trademark law.

So far, the analysis concerned the interpretation of the LRO standard, as set out in the Applicant Guidebook, compared with the standard that courts conventionally utilize to determine confusion-based trademark infringement and dilution. A literal reading of the LRO standard suggests that, in certain respects, it is broader than the corresponding standard applicable under trademark law. While this might indicate that the LRO standard is favorable to trademark proprietors, we must consider how the LRO standard has been applied in practice to provide a complete assessment of the standard. Some of the key trademark disputes where the LRO standard had been applied are considered below.

## 2. LRO Disputes

ICANN has authorized WIPO's *Arbitration and Mediation Center* to adjudicate LRO disputes. In the first round of applications for new gTLDs, a total of sixty-nine objections under the LRO standard were determined by panels, of which only four were decided in the objecting trademark proprietor's favor. As noted in the preceding discussion, although the LRO standard is seemingly broader when compared with the standard courts apply in determining conventional trademark disputes, the success rate of trademark proprietors in LRO disputes is strikingly lower, amounting to just over five per cent. It is helpful to consider LRO determinations under three distinct categories to fully appreciate how the LRO standard has been applied to trademark-related disputes—first, disputes involving new gTLDs that correspond to coexisting trademarks; second, disputes involving new gTLDs intended for use as a trademark; and third, disputes involving new gTLDs intended for non-trademark use. The determinations for consideration under the three categories set out above concern the

“.delmonte,”<sup>91</sup> “.merck,”<sup>92</sup> “.direct,”<sup>93</sup> “.weibo,”<sup>94</sup> “.pin,”<sup>95</sup> “.coach,”<sup>96</sup> “.express,”<sup>97</sup> and “.moto” new gTLD strings.<sup>98</sup>

***a. Disputes Involving New gTLDs Corresponding to Trademarks in Concurrent Use***

For trademarks to function as origin indicators, it is crucial to ensure that goods or services sold under any given mark come from or are sponsored by a single undertaking.<sup>99</sup> The very purpose of trademark law is precisely that. Consumers do not necessarily have to know the name or location of the undertaking responsible for the manufacture or supply of the underlying goods or services, but they are “entitled to rely on the fact that the indicia of ownership is exclusively the mark of one person or manufacturer.”<sup>100</sup> At the same time, trademark rights are territorial—that is, “a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark.”<sup>101</sup> Thus, identical trademarks may be concurrently used<sup>102</sup> or registered<sup>103</sup> in separate geographical territories—such as in

<sup>91</sup> Del Monte Corp. v. Del Monte International GmbH, WIPO Case No. LRO2013-0001 (July 29, 2013).

<sup>92</sup> Merck KGaA v. Merck Registry Holdings Inc., WIPO Case No. LRO2013-0009 (Sept. 24, 2013).

<sup>93</sup> DirecTV Group Inc. v. Dish DBS Corp., WIPO Case No. LRO2013-0005 (July 29, 2013).

<sup>94</sup> Sina Corp. v. Tencent Holdings Limited, WIPO Case No. LRO2013-0041 (Aug. 28, 2013). A similar dispute arose concerning the “.微博” new gTLD, which transliterates to “.weibo”—see Sina Corp. v. Tencent Holdings Limited, WIPO Case No. LRO2013-0040 (Aug. 28, 2013). Since the outcomes of both the determinations were the same, in this analysis reference is only made in respect of the “.weibo” determination.

<sup>95</sup> Pinterest Inc. v. Amazon EU S.à.r.l, WIPO Case No. LRO2013-0050 (July 16, 2013).

<sup>96</sup> Coach Inc. v. Koko Island LLC, WIPO Case No. LRO2013-0002 (Aug. 14, 2013).

<sup>97</sup> Express LLC v. Sea Sunset, LLC, WIPO Case No. LRO2013-0022 (July 9, 2013).

<sup>98</sup> Motorola Trademark Holdings LLC v. United TLD Holdco Ltd., WIPO Case No. LRO2013-0054 (Aug. 8, 2013).

<sup>99</sup> Julius R. Lunsford Jr., *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 TMR 75, 78 (1974).

<sup>100</sup> *Id.*

<sup>101</sup> J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:1 (5th ed. Sept. 2021).

<sup>102</sup> Donald A. Kaul, *Concurrent User and Registration of Trademarks*, 62 TMR 581 (1972) (“A concurrent use situation can perhaps best be defined as one where two parties in geographically separate areas of the United States adopt and use the same trademark for the same closely related goods or services”).

<sup>103</sup> Joseph Michael Levy, *The Confusion of Trademark Territoriality*, 18 Chi.-Kent J. Intell. Prop. 324, 331 (2019) (commenting on the US position, the author notes “[t]he Lanham Act grants the Patent and Trademark Office (PTO) the authority to issue concurrent use registrations to different parties so long as the Director of the PTO determines that ‘confusion, mistake, or deception is not likely to result from the continued use’ by multiple parties”).



multiple countries or within distinct areas in the same country.<sup>104</sup> However, the advent of the Internet and, the use of trademarks in the borderless medium, has given rise to difficulties in applying territoriality principles to the Internet's environment.<sup>105</sup> The difficulties lie, in part, in how domain names operate:

The boundaries of trademark law have been delineated in part by reference to physical geography but in cyberspace apparent spatial boundaries are collapsed because, as a technological matter, there can be only one *diavlos.com* domain name, and it can only point to one firm.<sup>106</sup>

In the case of second-level domains, the interests of concurrent users of trademarks may arguably be addressed to a certain degree by using ccTLDs or gTLDs to represent distinct geographical areas or industrial sectors. Thus, technically speaking, trademarks in concurrent use could be represented using multiple domain names ending with unique ccTLDs or gTLDs. For instance, a business trading in the European Union may choose a second-level domain representing its trademark that ends with “.eu” to distinguish itself from a business making a concurrent use of the same trademark elsewhere in the world. Similarly, a business specializing in insurance may use a second-level domain representing its trademark ending with “.insurance” to distinguish itself from another business concurrently using the same trademark in, for example, the retail industry. Such an approach to the use of ccTLDs and gTLDs may facilitate the territorial and concurrent use of trademarks by multiple entities. However, unlike second-level domains that could end with a vast array of ccTLDs and gTLDs, at any given time, only a *single* gTLD could exist representing a given string. This means that when the proprietor of a trademark that is in concurrent use seeks to represent its trademark as a gTLD under the new gTLDs program, that, in effect, will exclude the concurrent

---

<sup>104</sup> Lawrence E. Abelman, *Territoriality Principles in Trademark Laws*, 60 TMR 19, 19 (1970) (“The trademark rights acquired either through use or registration create for the owner a sort of monopoly, the right to deny use of the mark to other parties. This monopoly can only be exercised in the jurisdiction granting the monopoly and does not extend beyond its territorial limits. This is the basic principle of territoriality in trademark law”).

<sup>105</sup> Shontavia Johnson, *Trademark Territoriality in Cyberspace: An Internet Framework for Common-Law Trademarks*, 29 Berkeley Tech. L. J. 1253, 1282 (2014) (“an increasingly common question has been raised: how should courts assess concurrent Internet use among multiple parties with legally established zones of trademark protection? In other words, can identical or confusingly similar but geographically distinct trademarks be used simultaneously on the Internet for the same goods or services?”).

<sup>106</sup> Georgios I. Zekos, *Trademarks and Cyberspace*, 9 J. World Intell. Prop. 496, 508 (2006); see also Samantha Bradshaw and Laura DeNardis, *The Politicization of the Internet's Domain Name System: Implications for Internet Security, Universality, and Freedom*, 20 New Media & Society 332, 337 (2018) (“One complication is that domain names must be globally unique, while trademarks are sometimes unique to a country or industry category”).

user of the mark from representing its mark as a gTLD. Compounding the problem, when a trademark is represented and used as a gTLD, such use cannot easily be limited by geographic area or in terms of the underlying class of goods or services.<sup>107</sup> For that reason, determining LRO disputes involving concurrently used trademarks is anything but straightforward. The determinations in *Del Monte*<sup>108</sup> and *Merck*<sup>109</sup> are reflective of these challenges.

In *Del Monte*, the LRO panel had to determine whether the delegation of the “.delmonte” gTLD to the applicant would infringe the objector’s DEL MONTE trademark, which was very well known around the world in respect of preserved and fresh foods.<sup>110</sup> The respondent that had applied for the new gTLD was a Swiss company and was the objector’s licensee under several license agreements.<sup>111</sup> The license agreements permitted the respondent to *use* the DEL MONTE trademark on certain processed food products in Europe, the Middle East, and Africa, and on fresh produce and certain other specified products on a worldwide basis, but expressly reserved the objector’s right to maintain and enforce the trademark.<sup>112</sup> In essence, the objector’s primary contention was that the respondent’s attempt to gain exclusive control of the “.delmonte” gTLD, *as a closed registry* to the exclusion of the objector and its other licensees, was in bad faith and contravened the license agreements. In response, the respondent submitted that it owned registered trademark rights to DEL MONTE in South Africa, a fact that was not proven,<sup>113</sup> and that the license agreements “do not require authorisation from the Objector for the Respondent to register gTLDs, and their purported silence in this regard does not imply that authorisation must be sought prior to applying for domain names or gTLDs.”<sup>114</sup> The LRO panel considered the several non-exhaustive factors set out in the Applicant Guidebook that aid

---

<sup>107</sup> Jesse Kim, *Territoriality Challenges in Protecting Trademark Interests in the System of Generic Top-Level Domains (gTLDs)*, 18 Marq. Intell. Prop. L. Rev. 217, 229 (2014).

<sup>108</sup> *Del Monte Corp. v. Del Monte International GmbH*, WIPO Case No. LRO2013-0001 (July 29, 2013).

<sup>109</sup> *Merck KGaA v. Merck Registry Holdings Inc.*, WIPO Case No. LRO2013-0009 (Sept. 24, 2013).

<sup>110</sup> The objector was a company incorporated in the United States and owned several word and device trademark registrations comprising “DEL MONTE” for fresh and canned vegetables, fresh and canned fruits, canned fruit and vegetable juices, canned fish, dried fruits, pickles, vegetable relishes, hot peppers and ketchup (Classes 29, 30, 31, and 32 of the NICE classification). In addition, the objector owned trademark registrations in 177 jurisdictions around the world and operated the domain name “delmonte.com.” *Del Monte*, WIPO Case No. LRO2013-0001, at 2.

<sup>111</sup> *Id.* at 2-3.

<sup>112</sup> *Id.* at 3.

<sup>113</sup> *Id.* at 8.

<sup>114</sup> *Id.* at 4.

panels in determining disputes under the LRO mechanism<sup>115</sup> and held by a 3:2 majority in favor of the objector.<sup>116</sup>

First, according to the panel majority, the applied-for string was identical to the objector's trademark.<sup>117</sup> The objector's acquisition and use of its trademark was bona fide.<sup>118</sup> The relevant sector of the public recognized DEL MONTE to be the objector's trademark.<sup>119</sup> However, the panel majority also held that there was evidence to suggest that the respondent was commonly known by the sign corresponding to the applied-for string ("DEL MONTE"), at least by certain members of the relevant sector of the public, but the license agreement clearly expressed "the intention of the parties that the objector would retain sole control over issues relating to the registration and enforcement of the Trade Mark worldwide."<sup>120</sup> In other words, merely because the respondent was commonly known as "Del Monte" by certain members of the relevant sector of the public, the express provisions in the license agreement that prohibited the respondent from registering and enforcing the DEL MONTE trademark rendered the respondent's intended use of the ".delmonte" gTLD devoid of good faith. Second, the panel majority noted that the respondent had knowledge of the objector's trademark, and it intended in reserving the sole right to administer the applied-for string to the exclusion of the objector and other licensees,<sup>121</sup> contrary to the license agreements. Third, the panel majority observed that any acquisition of rights in the DEL MONTE trademark by the respondent, a fact that was in dispute, was in breach of the license agreements between the parties and that, although the respondent had used the DEL MONTE trademark in connection with the bona fide offering of goods, such use too was subject to the license agreements.<sup>122</sup> Last, on the issue of likelihood of confusion, the panel majority first observed that:

From the crucial perspective of the average consumer, and notwithstanding the somewhat complicated licensing arrangements, the coexistence of the parties' products in certain territories, and the similarity of the parties' coexisting food products, *the evidence shows that the Trade Mark has continued to function as an indicator of the commercial origin of the Objector and its goods (whether the*

---

<sup>115</sup> Applicant Guidebook, *supra* note 41, at § 3.5.2.

<sup>116</sup> Panelists Sebastian Hughes and William Towns gave the majority opinion, while Robert Badgley dissented.

<sup>117</sup> *Del Monte*, WIPO Case No. LRO2013-0001, at 6.

<sup>118</sup> *Id.* at 6-7.

<sup>119</sup> *Id.* at 7.

<sup>120</sup> *Id.* at 9.

<sup>121</sup> *Id.* at 7.

<sup>122</sup> *Id.* at 8.

*Objector's direct goods, or licensed goods*). The Panel majority notes that global licensing of well-known brands is a common practice in the food industry and, notwithstanding the use of such brands by different licensees in different jurisdictions, *in the mind of the average consumer, such well-known food brands continue to function effectively as trademarks designating the same trade source or commercial origin, notwithstanding such licensing arrangements.*<sup>123</sup>

In effect, the panel majority was reinforcing a fundamental premise underlying trademark protection. That is that a trademark does not seek to indicate “that the article in question comes from a *definite or particular source* [. . .], but merely that the goods in connection with which it is used emanate from the *same—possibly anonymous—source* or have reached the consumer through the same channels as certain other goods that have already given the consumer satisfaction, and that bore the same trademark.”<sup>124</sup> In other words, consumers associate a trademark with a *single undertaking* that retains the *overall control* over the quality of the goods or services sold under that trademark, although, in practice, the goods or services may come from multiple factories and through numerous channels of distribution but under the control of a single undertaking.<sup>125</sup>

Having made the point above, the panel majority decided that the objector had “established at least a *prima facie* case that the Respondent’s intended use of the applied for gTLD, to the exclusion of the Objector and the other licensees, [. . .] is likely to create an impermissible likelihood of confusion with the Objector’s Trade Mark as to the source, sponsorship, affiliation or endorsement of the

---

<sup>123</sup> *Id.* at 9 (emphasis added).

<sup>124</sup> Frank I Schechter, *The Rational Basis for Trademark Protection*, 40 Harv. L. Rev. 813, 816 (1927) (emphasis added).

<sup>125</sup> In the context of the European Union, this notion is visible in the CJEU’s jurisprudence. See Case C-299/99, *Philips Electronics v. Remington Consumer Products*, [2002] ECR I-05475, ECLI:EU: C:2002:377, para. 30 (June 18, 2002) (“Moreover, according to the case-law of the Court, the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin, and for the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish, *it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality*”; emphasis added). In the United States, the law goes a step further by requiring trademark licensors to engage in quality control in order to ensure that goods or services offered by their licensees under a particular trademark maintain consistent quality. Failure to do so may even result in the law deeming that the licensor had abandoned the trademark. See, e.g., *Eva’s Bridal Ltd. v. Halanick Enters. Inc.*, 639 F.3d 788, 791 (7th Cir. 2011). The imposition of a quality control obligation on the part of licensors reiterates the notion that consumers expect goods or services offered under a particular mark to originate from a *single enterprise* (irrespective of licensing arrangements), ensuring a consistent standard of quality.

applied-for gTLD.”<sup>126</sup> Regarding its finding on the *likelihood of confusion*, the panel majority, guided by previous LRO decisions,<sup>127</sup> noted that “*something more than* [. . .] mere likelihood of confusion” was necessary for the Objector to succeed.<sup>128</sup> Typically, for an objector to succeed, a panel must find something untoward about the new gTLD applicant’s behavior or something intolerable about the applicant being permitted to keep the string in dispute—even if the applicant’s conduct or motives do not rise to the level of bad faith.<sup>129</sup> Accordingly, the panel majority concluded that:

... there is something untoward about the Respondent’s behaviour in this case. As previously indicated, the Respondent arguably violated the terms of its Licence Agreements with the Objector by acquiring trade mark registrations that under the circumstances might have been acquired to bolster the Respondent’s eventual gTLD application. *In light of all the attendant circumstances, and considering such untoward behaviour, the Panel majority believes the gTLD creates an impermissible likelihood of confusion between the gTLD and the Objector’s mark.*<sup>130</sup>

On that basis, the objector prevailed in its LRO and the respondent’s application in respect of the “.delmonte” gTLD was denied.

However, the panel majority’s decision on the likelihood of confusion is not without problems. This is in view of the panel’s conclusion that consumers are accustomed to licensing arrangements, and “well-known food brands continue to function effectively as trademarks designating the same trade source or commercial origin, notwithstanding such licensing arrangements.”<sup>131</sup> In other words, the respondent’s *use* of the DEL MONTE mark to promote the sale of products authorized by the objector (as the respondent’s licensor) cannot be regarded as use contrary to the rights of the objector. In fact, such use of the mark was expressly permitted under the license agreement between the parties and coexisted with the rights of the objector and its other licensees.<sup>132</sup>

---

<sup>126</sup> *Del Monte*, WIPO Case No. LRO2013-0001, at 9.

<sup>127</sup> *See Right at Home v. Johnson Shareholdings*, WIPO Case No. LRO2013-0030 (July 3, 2013); *Defender Security Company v. Lifestyle Domain Holdings Inc.*, WIPO Case No. LRO2013-0035 (July 20, 2013).

<sup>128</sup> *Del Monte*, WIPO Case No. LRO2013-0001, at 10 (emphasis added).

<sup>129</sup> *Defender*, WIPO Case No. LRO2013-0035, at 13.

<sup>130</sup> *Del Monte*, WIPO Case No. LRO2013-0001, at 10 (emphasis added).

<sup>131</sup> *Id.* at 9.

<sup>132</sup> It was on this point that the dissenting panelist (Robert A. Badgley) disagreed with the panel majority. According to this panelist “[a]nother factor weighing in favor of Respondent is, as the Panel majority puts it, ‘the 24 year history of coexistence in the global marketplace of food products manufactured, marketed, sold and distributed under the [DEL MONTE] Trade Mark by the Objector, the Respondent and the other licensees.’

The untoward conduct of the respondent that the panel majority was referring to was, in truth, a reference to the respondent's attempt to gain *exclusive control* of the “.delmonte” gTLD. Doing so *may* have resulted in a breach of the license agreement on the part of the respondent. After all, although the license agreement did not refer to domain names or gTLDs, the general intent of the parties that the objector was to retain exclusive control over the registration and enforcement of the DEL MONTE mark could, arguably, be extended to the right to control domain names and gTLDs comprising the trademark.<sup>133</sup> As a matter of contract law, such a term could be implied into the license agreement if need be. But an act that amounts to a breach of a license agreement, without more, does not give rise to a trademark infringement.

Notably, over the years, the respondent had registered domain names that incorporated the DEL MONTE trademark without any objection on the part of the objector.<sup>134</sup> None of the respondent's domain names, which incorporated the DEL MONTE mark, reflected “a geographical or product-line restriction,”<sup>135</sup> strengthening the view that the respondent's use of the said domain names coexisted with the rights of the objector and the other licensees. There was also no evidence of any consumer confusion as regards the use of those domain names. Accordingly, the panel majority's finding that vesting sole control of the “.delmonte” gTLD to the respondent would result in an impermissible likelihood of confusion remains questionable and implausible.

Indeed, the determination of a subsequent LRO panel in *Merck*<sup>136</sup> casts doubts about the correctness of the panel majority's decision in *Del Monte*. In *Merck*, the respondent, a company based in the United States, applied for the “.merck” string. It was (and still is) one of the largest pharmaceutical companies in the world and was the proprietor of, among other things, the MERCK trademark both in stylized and word formats.<sup>137</sup> The respondent was also the owner of the “merck.com” domain name.<sup>138</sup> The objector, a German

---

Whereas the majority apparently finds that such coexistence supports the Panel majority decision to uphold the Objection, I respectfully disagree.” *Id.* at 12.

<sup>133</sup> *Id.* at 9 (“To the contrary, the terms of the Licence Agreements clearly express the intention of the parties that the Objector would retain sole control over issues relating to the registration and enforcement of the Trade Mark worldwide. This, in the opinion of the Panel majority, clearly extends to the right to control the registration of domain names and gTLDs comprising or incorporating the Trade Mark, or similar marks”).

<sup>134</sup> It was in evidence that the respondent had registered and used two domain names, namely “delmonteonline.com” and “delmontenet.com,” since 2000.

<sup>135</sup> *Del Monte*, WIPO Case No. LRO2013-0001, at 12.

<sup>136</sup> *Merck KGaA v. Merck Registry Holdings Inc.*, WIPO Case No. LRO2013-0009 (Sept. 24, 2013).

<sup>137</sup> *Id.* at 3.

<sup>138</sup> *Id.*

enterprise, was one of the oldest pharmaceutical companies in the world<sup>139</sup> and the proprietor of the MERCK mark in several countries across the globe, including Germany.<sup>140</sup>

The facts revealed that both the objector and the respondent were concurrently using the MERCK mark. This was a result of their common roots. The respondent was originally the objector's subsidiary, but they separated by operation of law post–World War I.<sup>141</sup> In that respect, the facts of the “.delmonte” and “.merck” disputes are similar, the only difference being that, in the former, several license agreements governed the relationship between the parties, whereas, in the latter, the parties had used the MERCK mark in numerous countries around the world under a series of coexistence agreements.<sup>142</sup> Despite the similarities, however, the outcomes in the two disputes were the exact opposite—i.e., in *Merck*, the LRO panel rejected the German Merck entity's objection, thereby allowing the “.merck” string to be delegated to the respondent, the American Merck entity.

The divergence in approach may be attributed to how the two panels approached the contractual relationship between the parties. In *Del Monte*, the panel majority afforded significant importance to the terms of the license agreements between the parties. For that reason, the panel majority held that the respondent's conduct of seeking to apply for the “.delmonte” gTLD in *breach* of the license agreements was “likely to unsettle the delicate balance struck by the competing interests of the parties under the licensing arrangements and, more importantly, is likely to create an impermissible likelihood of confusion.”<sup>143</sup> Whereas, in *Merck*, the panel stressed that it is “not for this Panel to interpret the existing coexistence agreements and arrangements between the Parties” and that “[s]hould the application of a new gTLD allegedly violate any such agreement or arrangement, it will be for the Parties to settle their dispute by means of the dispute resolution provisions of the contracts governing their relationship or as provided under applicable law.”<sup>144</sup> Indeed, the concurrent use of the MERCK mark in the online context has already become the subject of litigation,<sup>145</sup> indicating that when disputes regarding domain names incorporating trademarks do arise, such matters may be resolved

---

<sup>139</sup> *Id.* at 2.

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at 3.

<sup>142</sup> *Id.*

<sup>143</sup> *Del Monte Corp. v. Del Monte International GmbH*, WIPO Case No. LRO2013-0001, at 9 (July 29, 2013).

<sup>144</sup> *Merck*, WIPO Case No. LRO2013-0009, at 6.

<sup>145</sup> See *Merck KGaA v. Merck Sharp & Dohme Corp.* [2020] EWHC 1273 (Ch) (May 20, 2020).

under conventional contract or trademark law. However, in the dispute at hand, the LRO panel did consider the concurrent use of the MERCK mark by the two parties and concluded that the intended use of the disputed gTLD string by the respondent was consistent with the use it had made over the years of the MERCK trademarks.<sup>146</sup>

Ultimately, it appears that the approach of the panel majority in *Del Monte*, to treat conduct that was in breach of the parties' license agreements as indicative of an impermissible likelihood of confusion, has the effect of seemingly expanding the scope of trademark protection in the context of ICANN's new gTLDs program. If that determination is regarded as good law, then it would have the effect of significantly lowering the threshold of the likelihood of confusion test under the LRO standard compared with the corresponding standard usually employed in conventional trademark law.<sup>147</sup> The result would be a misalignment between the core principles of trademark law and the LRO standard.

The better view would be for LRO panels to adopt the approach in *Merck*, which is more consistent with principles of trademark law. Moreover, it would be appropriate for ICANN to set out clear policies concerning the delegation of strings that comprise concurrently used trademarks. For instance, in cases where applicants are trademark licensees, ICANN should require such applicants to provide proof of *no objection* on the part of their respective licensors. For other cases of concurrently used trademarks, ICANN could require applicants to ensure that appropriate technological measures, such as *geo-targeting*,<sup>148</sup> are adopted to ensure continued coexistence between the concurrent trademark users. ICANN needs to address the contradiction between territorial trademark rights and the omnipresence of gTLDs and domain names. But neither ICANN nor its agencies entrusted with resolving disputes should do so by affording the LRO standard an overly expansive interpretation.

---

<sup>146</sup> *Merck*, WIPO Case No. LRO2013-0009, at 8.

<sup>147</sup> See Jack Vidovich, *The New gTLD Program or the More Things Change the More Things Stay the Same*, 6 *Intell. Prop. Brief* 1, 16 (2015).

<sup>148</sup> In rejecting the objection in *Merck*, the panel specifically noted that the respondent (the new gTLD applicant) had made it clear that it will take all necessary measures, including geo-targeting, to prevent Internet users in the territories in which the objector has trademark rights from visiting websites that use the disputed gTLD string. *Merck*, WIPO Case No. LRO2013-0009, at 8.



***b. Disputes Involving New gTLDs Intended  
for Use As a Trademark***

It was noted earlier<sup>149</sup> that for trademarks to function as origin indicators, it is necessary to ensure that goods or services offered under a particular trademark originate from a single undertaking—albeit consumers may not necessarily know the undertaking by name or location.<sup>150</sup> This holds true even for marks that coexist. But this is only possible where the use of the respective marks does not give rise to confusion—so that the perception among consumers that the corresponding goods or services originate from a single undertaking remains intact. As a corollary, this means that it is necessary to prevent the use of signs that are identical or similar to a proprietor’s trademark by unauthorized third parties in ways that could give rise to a likelihood of confusion on the part of consumers.<sup>151</sup> Since domain names, in general, and gTLDs, in particular, can represent trademarks, ICANN’s LRO mechanism plays a vital role in furthering the aims of trademark protection. This is more so where new gTLD applications are lodged with respect to strings identical or similar to existing trademarks and where the applicants are in competition with the proprietor of those marks. The “.direct” and “.weibo” disputes concern this exact scenario and, therefore, are considered below.

In *DirectTV*,<sup>152</sup> the LRO panel had to determine whether the delegation of the “.direct” new gTLD string would infringe the DIRECTV mark of the objector, DirectTV Group Inc.<sup>153</sup> The respondent Dish DBS Corporation had applied for the “.direct” gTLD. It was in evidence that the respondent was a direct competitor of the objector “and both vie for the same customers as satellite dish television subscribers.”<sup>154</sup> As in *Del Monte*, the respondent in this dispute had declared in its application that it was

---

<sup>149</sup> See *supra* note 99 and accompanying text.

<sup>150</sup> See *supra* note 100 and accompanying text.

<sup>151</sup> See TRIPS Agreement, *supra* note 1, at art. 16:1 and equivalent national trademark provisions that provide the legal basis for registered trademark proprietors to prevent unauthorized third parties from making use their trademark in ways that are likely to cause confusion.

<sup>152</sup> *DirectTV Group Inc. v. Dish DBS Corp.*, WIPO Case No. LRO2013-0005 (July 29, 2013).

<sup>153</sup> The objector owned a number of trademarks in the United States and elsewhere that included the word “direct” in numerous forms and combinations. In the United States, the objector owned the DIRECTV mark for television programming and production services and distribution of television programs for others. Other registrations of the objector comprised the words “DIRECTV” or “DIRECT” prefixed or suffixed by another word, e.g., “DIRECTV AIRBORNE,” “WORLDIRECT,” and “DIRECTVIEW.” Outside the United States, the objector owned similar marks that used the word “DIRECTV” or “DIRECT” such as “DIRECTV NEXUS” in Chile and “DIRECTVIEW” in the European Union.

<sup>154</sup> *DirectTV*, WIPO Case No. LRO2013-0005, at 3.

seeking to use the “.direct” gTLD “as a restricted, exclusively-controlled gTLD.”<sup>155</sup> In other words, the respondent intended to run a closed registry.

The objector’s primary contention was that the respondent had “never used the term ‘direct’ to identify or distinguish its goods and services in commerce, but instead has chosen to apply for the <.direct> string in order to confuse consumers who were looking for Objector’s goods and services.”<sup>156</sup> In response, the respondent argued that it never intended to use the “.direct” string as a trademark, stating that the term “direct” “is generic and hence cannot serve as a mark.”<sup>157</sup> Having considered the non-exhaustive factors set out in the Applicant Guidebook,<sup>158</sup> the LRO panel unanimously decided in favor of the objector.

First, the panel held that “.direct” differed only by a single letter from the objector’s DIRECTV mark<sup>159</sup> and that the objector not only acquired and used the DIRECTV mark in good faith,<sup>160</sup> but the relevant sector of the public recognized that mark, which corresponded to the applied-for string, as the objector’s trademark.<sup>161</sup> As a related matter, the panel found that the respondent was not commonly known by the sign corresponding to the applied-for string (“DIRECT”).<sup>162</sup> Second, the panel concluded that the respondent was aware of the objector’s trademarks and that the respondent had “applied for the String as part of an ongoing battle for market share. . . .”<sup>163</sup> Third, the panel found that the respondent had no trademarks or any other intellectual property rights that corresponded with the word “direct”<sup>164</sup> and had never engaged in the bona fide offering of any goods or services under the DIRECT mark.<sup>165</sup> Last, on the factor requiring an assessment of the likelihood of confusion, the panel observed that “some Internet users seeking Objector’s satellite television services would be confused to land at a website accessible at, for example, the domain name <television.direct>.”<sup>166</sup> For the above reasons, the panel concluded that:

---

<sup>155</sup> *Id.*

<sup>156</sup> *Id.* at 4.

<sup>157</sup> *Id.*

<sup>158</sup> Applicant Guidebook, *supra* note 41, at para. 3.5.2.

<sup>159</sup> *DirectTV*, WIPO Case No. LRO2013-0005, at 4-5.

<sup>160</sup> *Id.* at 6.

<sup>161</sup> *Id.* at 7.

<sup>162</sup> *Id.* at 8.

<sup>163</sup> *Id.* at 7.

<sup>164</sup> *Id.*

<sup>165</sup> *Id.*

<sup>166</sup> *Id.* at 8.

Respondent, a purveyor of satellite television services, is seeking to use the word “direct,” which is the dominant part of the family of marks owned and used by its chief competitor in the satellite television business, Objector. On the record before it, the Panel therefore unanimously concludes that Respondent likely chose the <.direct> string for the sole purpose of disrupting the business of Objector.<sup>167</sup>

The outcome of the “.direct” dispute is not surprising from a trademark law perspective. Although the words “direct” and “TV” by themselves are descriptive, their combined use as “DIRECTV” has been sufficient to attract trademark protection in the United States.<sup>168</sup> Although not highly distinctive for satellite television services, “DIRECTV” is not necessarily descriptive of the services concerned; it is only suggestive. A suggestive mark requires consumers to exercise imagination to determine the nature of the underlying goods or services for which the mark is being used.<sup>169</sup> Given that the mental leap between the word and the underlying product’s attributes is not instantaneous, “the reason for restricting the protection accorded descriptive terms, namely the undesirability of preventing an entrant from using a descriptive term for his product, is much less forceful when the trademark is [...] suggestive.”<sup>170</sup> Accordingly, the outcome of this dispute is consistent with conventional trademark law, which protects suggestive marks where a likelihood of confusion exists, albeit to a lesser degree than distinctive marks.<sup>171</sup>

However, the distinction between suggestive and descriptive marks is not always clear-cut,<sup>172</sup> especially when the marks are composed of words that are individually descriptive. In *DirectTV*, the respondent argued that the objector’s mark was a combination of the word “DIRECT,” an inherently generic and descriptive term, and another term such as “TV,” which was equally descriptive.<sup>173</sup> A mark that is made up of descriptive words is generally regarded as

<sup>167</sup> *Id.* at 4.

<sup>168</sup> It appears that the DIRECTV mark has been used as a trademark in the United States since 1994, and has been registered with the United States Patent and Trademarks Office since 2001. *Id.* at 2.

<sup>169</sup> *Stix Prods. Inc. v. United Merchs. & Mfrs., Inc.*, 295 F. Supp. 479, 488 (1968).

<sup>170</sup> *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (1976).

<sup>171</sup> Theodore H. Davis Jr. and John L. Welch, *United States Annual Review: The Sixty-Fourth Year of Administration of the U.S. Trademark (Lanham) Act of 1946*, 102 TMR 1, 12-13 (2012).

<sup>172</sup> See Stephan P. Ladas, *Patents, Trademarks, and Related Rights: National and International Protection* 1005 (1975); see also *Soweco Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980) (“Although meant as pigeon-holes, these useful labels are instead central tones in a spectrum; they tend to merge at their edges and are frequently difficult to apply”).

<sup>173</sup> *DirectTV*, WIPO Case No. LRO2013-0005, at 5.

descriptive unless, for instance, “the combination of the terms is incongruous and results in a mark that is no more than suggestive of the nature of the goods,”<sup>174</sup> or “the word creates an impression which is sufficiently far removed from that produced by the mere combination of meanings lent by the elements of which it is composed, with the result that the word is more than the sum of its parts.”<sup>175</sup> An inspection of DIRECTV reveals that it is a “contraction of the terms DIRECT and TV, with the T serving a dual role.”<sup>176</sup> Arguably, the unusual way in which the two descriptive terms are combined to form “DIRECTV” pushes it closer to the distinctive/suggestive side of the scale.

But even if we assume that DIRECTV is descriptive, a descriptive term is not incapable of being protected under trademark law, provided it can attract a secondary meaning<sup>177</sup> due to its extensive and continued use in the market. That said, the protection afforded to descriptive marks is much weaker when compared with highly distinctive, if not suggestive, marks, at least initially.<sup>178</sup> The weaker protection afforded to descriptive marks, a

---

<sup>174</sup> See, e.g., *In re Vienna Sausage Mfg. Co.*, 156 U.S.P.Q. 155, 156 (T.T.A.B. 1967) (“FRANKWURST” not merely descriptive for wieners. Although “frank” is synonymous with “wiener,” and “wurst” is synonymous with “sausage,” the combination of the terms is incongruous and results in a mark that is no more than suggestive of the nature of the goods).

<sup>175</sup> See, e.g., Case C-363/99, *Koninklijke KPN Nederland NV v. Benelux-Merkenbureau*, [2004] ECR I-01619, ECLI:EU:C:2004:86, para. 104 (Feb. 12, 2004); Case C-265/00, *Campina Melkunie BV v. Benelux-Merkenbureau*, [2004] ECR I-01699, ECLI:EU:C:2004:87, para. 43 (Feb. 12, 2004).

<sup>176</sup> *DirectTV*, WIPO Case No. LRO2013-0005, at 5.

<sup>177</sup> In the United States, although § 2(e) of the Lanham Act, 15 U.S.C. § 1052(e), *supra* note 69, prohibits the registration of signs that are “merely descriptive,” § 2(f) provides that “nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce” (emphasis added). The U.S. Supreme Court in *Park’n Fly Inc. v. Dollar Park and Fly Inc.*, 469 U.S. 189 (1985) has acknowledged this when it observed: “A merely descriptive mark, in contrast, describes the qualities or characteristics of a good or service, and this type of mark may be registered only if the registrant shows that it has acquired secondary meaning, i.e., it has become distinctive of the applicant’s goods in commerce.” Similarly, in the EU’s context, Article 4(4) of the Trade Marks Directive provides that “[a] trade mark shall not be refused registration [...] if, before the date of application for registration, following the use which has been made of it, it has acquired a distinctive character” (emphasis added). The CJEU has acknowledged this in a number of cases. See, e.g., *Joined Cases C-108/97 and C-109/97, Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) v. Boots- und Segelzubehör Walter Huber and Franz Attenberger*, [1999] ECR I-02779, ECLI:EU:C:1999:230, para. 46 (May 4, 1999) (“Secondly, just as distinctive character is one of the general conditions for registering a trade mark under Article 3(1)(b), distinctive character acquired through use means that the mark must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, and thus to distinguish that product from goods of other undertakings”).

<sup>178</sup> See Lisa P. Ramsey, *First Amendment Limitations on Trademark Rights*, in *Intellectual Property and Information Wealth: Issues and Practices in the Digital Age* 147, 153 (Peter K. Yu ed., 2007); see also *UK Betting PLC v. Pam Oldfield*, WIPO Case No. D2005-0637

feature that is prevalent in national trademark law across many jurisdictions, has been explained by the U.S. Supreme Court<sup>179</sup> in the following way:

The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first. The Lanham Act adopts a similar leniency, there being no indication that the statute was meant to deprive commercial speakers of the ordinary utility of descriptive words. If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase. This right to describe is the reason that descriptive terms qualify for registration as trademarks only after taking on secondary meaning as "distinctive of the applicant's goods," with the registrant getting an exclusive right not in the original, descriptive sense, but only in the secondary one associated with the markholder's goods.<sup>180</sup>

However, despite the relatively weaker protection, the law does protect proprietors against the third-party use of descriptive marks with secondary meaning, especially by direct competitors, where such use is likely to cause confusion and cannot be justified as fair use.<sup>181</sup>

In light of the above, it is patently clear that the respondent in *DirectTV* was seeking to acquire an unfair advantage by using the objector's mark in the form of a gTLD with the sole purpose of increasing its own market share.<sup>182</sup> The panel regarded the respondent's claim that it had applied for the ".direct" string

---

(Aug. 31, 2005) ("the more descriptive the name, the narrower the ambit of protection that a court will afford to the name").

<sup>179</sup> *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*, 543 U.S. 111 (2004).

<sup>180</sup> *Id.* at 122 (internal citations omitted, emphasis added). Similar sentiments have been expressed by the Australian High Court in *Hornsby Building Information Centre Pty. Ltd. v. Sydney Building Information Centre Ltd.* (1978) 140 CLR 216, 229 (Apr. 19, 1978) ("There is a price to be paid for the advantages flowing from the possession of an eloquently descriptive trade name. Because it is descriptive, it is equally applicable to any business of a like kind, its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other like businesses will not ordinarily mislead the public").

<sup>181</sup> See Stephanie M. Greene, *Sorting Out "Fair Use" and "Likelihood of Confusion" in Trademark Law*, 43 Am. Bus. L. J. 43, 43-44 (2006); Margreth Barrett, *Reconciling Fair Use and Trademark Use*, 28 Cardozo Arts & Entm't L. J. 1, 5 (2010).

<sup>182</sup> *DirectTV Inc. v. Dish DBS Corp.*, WIPO Case No. LRO2013-0005, at 5 (July 29, 2013).

because it provides services (in the generic sense) directly to consumers as a contrivance.<sup>183</sup>

The outcome reached in  *DirecTV*  is consistent with a subsequent LRO panel decision concerning the “.weibo” gTLD. In this case, the parties involved offered microblogging platforms. The objector, Sina Corporation, well known in China and worldwide by the Chinese community, operated a microblogging platform at “weibo.com,” which reached 503 million users at the time of the dispute.<sup>184</sup> The respondent, Tencent Holdings, also operated a microblogging platform, which reached 373 million users at the time of the dispute.<sup>185</sup> Accordingly, the disputing parties were direct competitors. Against this backdrop, the LRO panel had to determine whether the delegation of the “.weibo” gTLD to the respondent would infringe the “微博” mark owned by the objector in China. The conflict arose because “weibo” is the phonetic transliteration of “微博.” The LRO panel, by 3:2 majority, held in favor of the objector and decided not to permit the delegation of the gTLD string.<sup>186</sup>

The key argument of the respondent was that the term “微博” and its phonetic equivalent “weibo” “are descriptive of the phenomenon of micro-blogging in China and [are] shared by many micro-blog service providers.”<sup>187</sup> For instance, the respondent itself has registered trademark rights in China in respect of a mark comprising “TENCENT微博” and owns rights for TENCENT WEIBO in several countries, including Taiwan, Hong Kong, Singapore, Korea, Australia, and Russia.<sup>188</sup> In other words, the respondent’s use of “微博” and its phonetic equivalent (“WEIBO”) has been descriptive, whereas “TENCENT” forms the distinctive element of its trademarks. But at the same time, the objector owns registered trademarks in China for “微博” (the transliteration of which is “weibo”), although it is a term that is commonly used in China to describe microblogging.<sup>189</sup> Arguably, the conferral of registered trademark rights in respect of “微博” in favor of the objector suggests that the mark has acquired a secondary meaning in China to indicate the products and services of the objector.

Ultimately, the question for the LRO panel was whether the delegation of “.weibo” to the respondent would unjustifiably impair

---

<sup>183</sup> *Id.* at 7.

<sup>184</sup> *Sina Corp. v. Tencent Holdings Limited*, WIPO Case No. LRO2013-0041, at 2 (Aug. 28, 2013).

<sup>185</sup> *Id.* at 2.

<sup>186</sup> The panel majority comprised panelists Hong Xue and Susanna HS Leong. The dissenting opinion was delivered by Mathew Harris.

<sup>187</sup> *Sina Corp.*, WIPO Case No. LRO2013-0041, at 4.

<sup>188</sup> *Id.* at 2.

<sup>189</sup> *Id.* at 4.

the distinctive character of the objector's mark, if not cause an impermissible likelihood of confusion. In this regard, the panel majority referred to the respondent's new gTLD application where it was provided that the ".weibo" gTLD would promote and strengthen the respondent's services and simplify how Internet users interact with the respondent's weibo (or microblogging) services by "providing a distinctive domain space."<sup>190</sup> In view of the respondent's purpose of applying for the ".weibo" new gTLD, the panel majority concluded that notwithstanding the respondent's claims about the descriptive nature of the term, its intended use of the gTLD was for a nondescriptive purpose—i.e., to identify its own services.<sup>191</sup> Hence, on that basis, the panel majority upheld the objection.

The outcomes in the ".direct" and ".weibo" disputes are consistent with how trademark law treats descriptive trademarks with secondary meaning in circumstances where competitors use them without the proprietors' consent. The outcome of the LRO in *Pinterest*<sup>192</sup> further affirms this position. In this case, the objector was Pinterest, an image-sharing and social media platform, which objected to an application made by the respondent, Amazon, the popular online marketplace, in respect of the new gTLD ".pin." The objector's stylized *P* mark, figurative PIN IT mark and PINTEREST mark formed the basis for its objection.<sup>193</sup> Based on the evidence, the LRO panel observed that "<.pin> will be a single-entity registry, in which Amazon and its subsidiaries will be the only eligible registrants, through a single registrar, for use in pursuit of Amazon's business goals."<sup>194</sup> In other words, as with the ".direct" and ".weibo" disputes, in this dispute, the applied-for string was intended for use as a closed registry for the respondent's business purposes. However, the LRO panel did not reach the same conclusion as in the ".direct" and ".weibo" disputes because the panel was not convinced that PIN had acquired a secondary meaning capable of identifying the goods or services of the objector and unanimously rejected the objection.<sup>195</sup>

---

<sup>190</sup> *Id.* at 4-5.

<sup>191</sup> *Id.* at 5.

<sup>192</sup> *Pinterest Inc. v. Amazon EU S.à.r.l.*, WIPO Case No. LRO2013-0050 (July 16, 2013).

<sup>193</sup> *Id.* at 4.

<sup>194</sup> *Id.* at 2.

<sup>195</sup> *Id.* at 9 ("On the material presented by Pinterest in support of its Objection, the Panel is not satisfied that the word PIN has been used, either by Pinterest itself or by the very large number of Internet users, retailers and media commentators since Pinterest started in 2010, in such a way as to give rise to secondary meaning (i.e., as primary significance) identifying Pinterest as the source of its goods or services. Rather, that word has not been shown to have been used otherwise than in its common ordinary English meaning, as a verb to describe the process of connecting things together or as a noun to describe the connection itself. The fact that the connection is made online, i.e. virtually rather than physically, does not alter this conclusion. Because Pinterest and others use

Thus, it is clear that in determining disputes, LRO panels have been conscious of the need to ensure a balance between the rights of trademark proprietors and the interests of competitors. They have done so by paying attention to two specific but related concepts used in determining trademark disputes. The first is the distinctiveness criteria. That is, whether an objector's trademark is distinctive, and in the case of a descriptive mark, whether such a mark had acquired a secondary meaning. The second relates to the nature of the respondent's proposed use of the gTLD that is identical or similar to the objector's mark and, in particular, whether there is likely to be trademark use on the part of the respondent.

### *c. Disputes Involving New gTLDs Intended for Non-trademark Use*

Although trademark law confers on trademark proprietors the right to prohibit unauthorized third parties from making use of their marks in ways that are likely to cause confusion,<sup>196</sup> or, in the case of well-known marks, in ways that are likely to cause dilution or tarnishment,<sup>197</sup> that right is not absolute and is subject to limitations in the public interest.<sup>198</sup> This is so especially when trademarks are made use of by third parties in non-trademark contexts. Unlike in the case of arbitrary or fanciful marks,<sup>199</sup> when trademarks are formed of words that are used in common parlance or provide information to consumers (such as descriptive marks), it becomes increasingly necessary to ensure that such marks are freely available for use by third parties in non-trademark speech.<sup>200</sup>

---

this dictionary term for its dictionary meaning and not as a trademark, the Panel is not satisfied that PIN functions as a mark to identify Pinterest or its goods or services”).

<sup>196</sup> TRIPS Agreement, *supra* note 1, at art. 16:1; EU Trade Marks Directive, *supra* note 3, at art. 10(2)(b); Lanham Act, *supra* note 69, at § 32(1)(a) and (b), 15 U.S.C. §1114(1)(a) and (b).

<sup>197</sup> TRIPS Agreement, *supra* note 1, at art. 16:3; EU Trade Marks Directive, *supra* note 3, at art. 10(2)(c); Lanham Act, *supra* note 69, at § 43(c)(1) and (2)(B), 15 U.S.C. § 1114(c)(1) and (2)(B).

<sup>198</sup> For instance, Article 17 of the TRIPS Agreement, *supra* note 1, provides the basis for “limited exceptions” to trademark rights, such as fair use of descriptive terms, to be included under national trademark legislation.

<sup>199</sup> William M. Landes and Richard A. Posner, *The Economics of Intellectual Property* 172 (2003) (“What the law terms a ‘fanciful’ mark, such as ‘Exxon’ and ‘Kodak,’ has no information content except to denote a specific producer or brand, and so its appropriation as a designator of the products of particular firms does not deny society access to useful information”).

<sup>200</sup> Montiano Monteagudo and Núria Porxas, *Repairs and Other Specialist Services in the Light of the ECJ’s BMW Ruling*, in *Trade Marks at the Limit* 106 (Jeremy Philips ed., 2006).



Built into trademark law, an important safeguard that ensures this balance is the *trademark use* doctrine.<sup>201</sup> That is, a trademark proprietor is entitled to prohibit the use of his trademark by a third party only where that third party makes use of the mark *as a trademark*.<sup>202</sup> This is precisely why the “direct” and “weibo” disputes considered earlier were decided in favor of the objectors—as the applied-for gTLDs were intended to function as closed

---

<sup>201</sup> For the U.S. perspective, see Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “In the Manner of a Mark”* 43 Wake Forest L. Rev. 893 (2008) (“‘Trademark use’ can be generally understood as use of a word or symbol in close association with goods or services being offered for sale, in a manner that is likely to communicate the source of those goods or services to consumers”); Graeme B. Dinwoodie and Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 Iowa L. Rev. 1697, 1599 (2007) (“During the last three years, however, a number of scholars have argued that an unauthorized user of a mark is only liable, and should only be liable, when it uses the plaintiff’s mark ‘as a mark.’ According to this argument, sometimes called the trademark use theory, the nature of the defendant’s use serves as a threshold filter, requiring courts to engage in a preliminary inquiry regarding the nature of that use, thereby downgrading any analysis of its effects on consumer understanding”). In the European context, the trademark use doctrine guided English courts in determining infringement cases. See *Mothercare UK Ltd. v. Penguin Books* [1988] R.P.C. 113, 118 (July 7, 1987) (“it stands to reason that a Trade Marks Act would only be concerned to restrict the use of a mark as a trade mark or in a trade mark sense”). But later, the doctrine was eclipsed by notions of European Union law. See *Case C-206/01, Arsenal Football Club plc v. Matthew Reed* [2002] ECR I-10273, ECLI:EU:C:2002:651 (Nov. 12, 2002). The relevant question that is posed now is whether a third party’s use of a trademark had affected one or more of the functions of a trademark and not whether there was trademark use. More recently, however, the CJEU introduced a new “commercial communication” requirement, which operates as a threshold factor, in determining trademark disputes in the Internet’s context. See *Joined Cases C-236/08, C-237/08, and C-238/08, Google France Sarl v. Louis Vuitton Malletier SA*, 2010 ECR I-02417, ECLI:EU:C:2010:159 (Mar. 23, 2010). Under this requirement, a third party must have first made use of a trademark in its “own commercial communication” to have committed an infringement. Although the commercial communication requirement was not a restatement of the trademark use requirement, it is nevertheless useful in limiting the reach of trademark law to non-trademark contexts. For a general discussion on the operation of these requirements in the context of the Internet, see Althaf Marsoof, *Internet Intermediaries and Trade Mark Rights* 36-42 (2019).

<sup>202</sup> Scholars have argued that the doctrine of trademark use is important to limit the rights of trademark proprietors so that they do not hinder advancements in technology. See, e.g., Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. Davis L. Rev. 371, 456-457 (2006) (“Permitting trademark owners to extend their rights to actions that do not constitute trademark use will stifle the development of new information technologies, with no offsetting advantage”); Stacey L. Dogan and Mark A. Lemley, *Trademark and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777 (2004) (“Indeed, courts considering analogous situations have rejected trademark claims on the ground that the defendant was not engaged in trademark use. For example, a number of plaintiffs have sued Internet domain name registrars such as Network Solutions for selling their trademarks as domain names to cybersquatters who then use the names to infringe the trademarks. . . . Nonetheless, courts have uniformly held that Network Solutions cannot be held liable as a direct infringer because it is not using the protected term as a trademark. The domain name registrants themselves may engage in trademark use by cybersquatting or confusing visitors to the site, but the company selling the domain names does not”).

registries to indicate the source of the respondents' goods or services. Whereas had the respondents been entities that were not in competition with the objectors and applied to run the gTLDs as *open registries*, the LRO panels would have, in all probability, reached the opposite conclusion. This is because, in that event, the use of the ".direct" and ".weibo" gTLDs would have been for a descriptive purpose and, therefore, it is in the public interest to permit such use. Indeed, ICANN's policies prevent such generic strings from being delegated for use as *closed registries*, as the outcome would deplete the public domain.<sup>203</sup>

The panel in *Coach*<sup>204</sup> had the opportunity to decide a dispute between two non-competing entities, revealing how ICANN's LRO process balances the rights of trademark proprietors against the interests of third parties that wish to make use of the new gTLDs program to broaden the domain namespace. In this dispute, the objector was Coach Inc., a company base in the United States that manufactures and retails handbags, various leather products, and complementary accessories worldwide.<sup>205</sup> The objector was the proprietor of the well-known COACH mark with registrations around the world, including in the United States.<sup>206</sup> The respondent was also a company based in the United States that had applied for 307 new gTLD strings, including ".direct," ".limited," and ".express."<sup>207</sup> The disputants were not in competition with each other, as the respondent was not engaged in any retail business.

The key contention of the objector was founded on the suspicion that the respondent had applied for the new gTLD strings with the intent of negotiating with the respective trademark owners to gain financially from such strings.<sup>208</sup> The objector also alleged that the delegation of the string "would almost certainly lead to the likelihood of confusion" and "[s]uch confusion will result from the similarity between the string and the mark, the fame of the mark and the concurrent use of the string and the mark."<sup>209</sup> The respondent contended in response that "coach" represented a

---

<sup>203</sup> When a generic/common word is used as part of a domain name, consumers begin to associate the word with a particular website. The generic word in a domain name loses its genericity and becomes capable of indicating the source of a single undertaking when used in conjunction with a domain name. *See* U.S. Patent and Trademark Office v. Booking.com B.V., 591 U.S. \_\_\_, 140 S. Ct. 2298 (June 30, 2020). Accordingly, when generic/common words are delegated as gTLDs, it is crucial to ensure that the gTLDs are run as open registries to avoid proprietary rights being claimed in respect of such generic/common words.

<sup>204</sup> *Coach Inc. v. Koko Island LLC*, WIPO Case No. LRO2013-0002 (Aug. 14, 2013).

<sup>205</sup> *Id.* at 2.

<sup>206</sup> *Id.*

<sup>207</sup> *Id.* at 3.

<sup>208</sup> *Id.*

<sup>209</sup> *Id.*

“simple dictionary term” and that the word attracted “many different meanings which reduce its source-identifying function and render any visual or auditory similarities largely irrelevant when comparing <.coach> to the Objector’s COACH trademark.”<sup>210</sup>

Having analyzed these opposing contentions and the several non-exhaustive factors set out in the Applicant Guidebook,<sup>211</sup> the LRO panel unanimously determined the dispute in favor of the respondent, thus permitting “.coach” to be delegated as a gTLD.<sup>212</sup> First, according to the panel, although “.coach” and “COACH” were visually and phonetically identical, the applied-for string did not “necessarily have the same meaning as Objector’s trademark.”<sup>213</sup>

Second, the panel found that the acquisition and use of the COACH mark by the objector was bona fide and that “the evidence [. . .] supports the Objector’s argument that its mark has achieved public recognition in at least some relevant sectors of the public.”<sup>214</sup> However, the panel noted that the “mark has achieved such recognition when it is used in connection with certain goods” and that nothing in the evidence “persuasively establishes that the letter string <.coach>, when used as a gTLD, will necessarily be seen as a reference to the Objector’s mark as contrasted with a reference to the word ‘coach’ for its dictionary meaning.”<sup>215</sup> The panel also noted that although the respondent was aware of the objector’s trademark, the respondent had intended to use the string, giving effect to its ordinary dictionary meaning.<sup>216</sup> Moreover, although the respondent had applied for over 300 new gTLD strings, that alone does not establish a pattern of cybersquatting, as the strings applied for consisted of common words.<sup>217</sup>

Third, the lack of any trademark or other intellectual property rights on the part of the respondent in respect of a sign comprising the word “coach” did not prejudice the new gTLD application for the respondent’s intended use of the “.coach” gTLD to reflect the word’s dictionary meaning.<sup>218</sup>

Fourth, the panel noted that the respondent had not, and did not intend nor had prepared to, offer any goods or services under a sign

---

<sup>210</sup> *Id.*

<sup>211</sup> Applicant Guidebook, *supra* note 41, at para. 3.5.2.

<sup>212</sup> *Coach*, WIPO Case No. LRO2013-0002, at 10 (“On balance, the Panel cannot conclude that, given the many definitions of ‘coach’, an appreciable number of Internet users will confuse the proposed string with the Objector’s mark”).

<sup>213</sup> *Id.* at 6.

<sup>214</sup> *Id.* at 7.

<sup>215</sup> *Id.*

<sup>216</sup> *Id.*

<sup>217</sup> *Id.* at 8.

<sup>218</sup> *Id.* at 9.

that corresponds to the new gTLD string.<sup>219</sup> This is not surprising because the respondent intended to run an open domain name registry for the gTLD. But the panel observed that “although the Respondent has not shown demonstrable preparations for a direct *bona fide* offering of goods, services or information by use of a sign corresponding to the opposed string, the Respondent does have preparations in place for offerings on an indirect basis through third-party domain name registrations in connection with the opposed string.”<sup>220</sup> Having said that, the panel noted that such preparations did “not interfere with the Objector’s legitimate exercise of its mark rights.”<sup>221</sup>

Last, and importantly, on the issue of likelihood of confusion, the objector argued that the respondent’s use of “.coach” is likely to confuse as to source, sponsorship, affiliation, or endorsement because the general public will believe that “second-level domain names that the Respondent allows to be registered in the registry corresponding to the string will necessarily be associated with the Objector’s business because the Objector’s mark is identical to the string.”<sup>222</sup> In this regard, the panel observed that:

there are several definitions of the word “coach,” and that many Internet users may equate that word with goods, services or activities other than those related to the Objector or its trademark. The Panel does not need survey evidence to know that “coach” is a common dictionary word, and is used frequently in reference to the various definitions listed above. . . . On balance, the Panel cannot conclude that, given the many definitions of “coach,” an appreciable number of Internet users will confuse the proposed string with the Objector’s mark.<sup>223</sup>

For these reasons, the LRO panel concluded that the respondent’s intended use of the “.coach” gTLD would not take an unfair advantage of, or unjustifiably impair, the objector’s mark. Nor would it create an impermissible likelihood of confusion. Therefore, the panel decided that delegating the “.coach” gTLD to the respondent will not conflict with the objector’s trademark rights.

The importance of this determination lies in the panel’s acknowledgement of the respondent’s claim that “rights in a trademark that consists of a common word, as Objector has done, brings with it the risk that others will legitimately use the same or

---

<sup>219</sup> *Id.* at 8.

<sup>220</sup> *Id.* at 9.

<sup>221</sup> *Id.* at 9.

<sup>222</sup> *Id.* at 10.

<sup>223</sup> *Id.*

a similar word to identify their goods or services.”<sup>224</sup> In this case, however, although “coach” was regarded as a common dictionary word, the objector’s use of the COACH mark could not have been regarded as descriptive, as its use for handbags, leather products, and accessories was arbitrary<sup>225</sup> and, therefore, distinctive. But the panel’s focus was on *how* the respondent intended to *use* the gTLD. In essence, by focusing on that, the panel was giving effect to the trademark use doctrine that acts as a safeguard to protect the interests of third parties who wish to make legitimate use of trademarks in non-trademark contexts.

Had the panel decided in favor of the objector, the result would have been a restriction on legitimate uses of a common word, arguably stifling free speech and competition in the online space.<sup>226</sup> The outcome of the panel’s determination in *Coach* is that individuals and entities associated with providing services such as coaching, training, transportation, etc., will have the opportunity of registering second-level domains that represent their respective activities—e.g. “swimming.coach,” “writing.coach,” or “travel.coach.”

However, what might be the outcome of an individual or entity having no association with Coach Inc. registering “handbags.coach” as a domain name? Arguably, the specific use of “handbags” with “.coach” implies a connection with the proprietor of the COACH mark and is likely to cause confusion on the part of the average Internet user. Notably, the LRO panel did acknowledge the potential challenges that the delegation of “.coach” could give rise to from the trademark proprietor’s point of view.<sup>227</sup> However, the panel was satisfied with the respondent’s rules and policies that prohibited the registration of second-level domains that are likely to interfere with trademark rights, and instead promoted the use of the gTLD for information, goods, and services related to the dictionary meanings attached to “coach.”<sup>228</sup> In addition, the panel also emphasized that post-delegation dispute resolution procedures can be utilized to safeguard the interests of trademark proprietors.<sup>229</sup> For instance, ICANN’s Trademark PDDRP<sup>230</sup> may be

---

<sup>224</sup> *Id.* at 4.

<sup>225</sup> *Id.* at 6.

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

<sup>228</sup> *Id.* at 10-11.

<sup>229</sup> *Id.* at 4.

<sup>230</sup> But the Trademark PDDRP requires a very high standard of proof before a registry operator’s conduct could be regarded as abusive. The complaining trademark proprietor must establish “a *substantial pattern or practice of specific bad faith intent* by the registry operator to profit from the sale of trademark infringing domain names” (emphasis added) and that the registry operator’s “bad faith intent to profit from the systematic registration of domain names” causes trademark dilution, tarnishment, or confusion-based infringement. Trademark PDDRP, *supra* note 61, at para. 6.2. Despite the higher standard, however, the possibility of bringing proceedings directly against the

used in cases of abusive conduct on the part of registry operators, such as the respondent.

On the whole, the outcome of the “.coach” dispute is consistent with how trademark law treats the use by third parties of signs corresponding to trademarks in non-trademark and non-competing contexts. Indeed, the panel determinations in *Express*<sup>231</sup> and *Motorola*<sup>232</sup> reaffirm this position. However, it must be emphasized that all this only reflects the balance maintained by ICANN’s LRO dispute settlement mechanism, which is applicable during the pre-delegation stage. Once a new gTLD string has been delegated, ICANN’s post-delegation URS and UDRP dispute settlement mechanisms will play a crucial role in maintaining that balance. Thus, for instance, in the context of the “.coach” gTLD, where an unauthorized third party, having no connection with Coach Inc, craftily registers “handbags.coach,”<sup>233</sup> ICANN’s URS and UDRP

---

registry operator may be seen as a welcome move in safeguarding the interests of trademark proprietors. After all, trademark proprietors have not been successful so far in holding registry operators or domain name registrars liable for registering domain names in violation of trademark rights. *See, e.g.,* Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999); *Size v. Network Solutions, Inc.* 255 F. Supp. 2d 568 (2003). However, where a registry operator or domain name registrar registers a domain name knowing, or having reason to believe, that the registration is likely to infringe trademark rights, it is likely that such a registry operator or domain name registrar is contributorily liable for infringement. *See* the contributory liability standard applied in *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

<sup>231</sup> *Express*, WIPO Case No. LRO2013-0022, at 21-22 (“A key question in this proceeding is whether Respondent’s proposed operation of that service (i.e. providing opportunity to Internet users to register domain names using the <.express gTLD>) will ‘interfere with the legitimate exercise by [Complainant] of its mark rights’. The string <.express>, as previously discussed, has a substantial variety of meanings useful to businesses and other prospective Internet users in connection with a substantial number of goods and services, and for conveying information. Complainant has rights in a trademark that permit it to prevent third-party use of that trademark in ways that are likely to cause confusion as to whether Complainant is the source of goods or services, or sponsors or is affiliated with such goods or services. But, as a matter of basic trademark law principles recognized around the world, Complainant’s rights to prevent third-party use are generally limited to the classes of goods and services for which it has established trademark rights. Such trademark rights may be extended to a certain degree through the application of antidilution laws and/or doctrines regarding well-known marks. In the United States, for example, dilution may be argued under theories of blurring or tarnishment. However, when a trademark owner has adopted a common dictionary term with a substantial number of potential meanings, antidilution law cannot be used to prevent common or generic usages of the common dictionary term”).

<sup>232</sup> *Motorola*, WIPO Case No. LRO2013-0054, at 9 (“These facts, considered together, confirm to the Panel that the term ‘moto’ has a generic, common name, meaning or short for ‘motorcycle’. Of course this does not mean that Objector’s registered marks in MOTO are anything but legitimate, but the Panel would also like to stress that whatever distinctive character or reputation these marks may enjoy, is due to the fact that MOTO is not descriptive of the goods and services it protects. Instead, in the applied-for gTLD, the term ‘moto’ is asserted to be descriptive of motorcycles and motor-powered vehicles and related activities”).

<sup>233</sup> At present, “handbags.coach” has been defensively registered by the trademark proprietor pre-empting third parties from gaining control of the domain name. Indeed,

post-delegation dispute resolution mechanisms *should* allow the aggrieved trademark proprietor to prevent the continued use of that domain name in view of its obvious confusing effect. Only then can we confidently say that a proper balance is achieved between the rights of trademark proprietors and the interests of third parties.

However, whether the UDRP and URS achieve this balance is a question that needs to be considered. To succeed in UDRP or URS proceedings, an aggrieved trademark proprietor must, among other things, establish that its trademark and the disputed domain name are *identical* or *confusingly similar*.<sup>234</sup> As a matter of practice, UDRP<sup>235</sup> and URS<sup>236</sup> panels have ignored the prefix and suffix of domain names in making the comparison. This position is also reflected in the *WIPO Jurisprudential Overview 3.0*,<sup>237</sup> which guides panels in reaching decisions in URS and UDRP cases. There are presently two exceptions to this practice. The first is where the gTLD exacerbates the element of confusion under the requirements of paragraph 4(a)(i) of the UDRP<sup>238</sup> (and corresponding paragraph of the URS Procedure).<sup>239</sup> The second exception is where a trademark spans the dot, as in “youtu.be.”<sup>240</sup> But where the domain

such defensive registrations are a useful way of dealing with potential cybersquatting abuse.

<sup>234</sup> URS Procedure, *supra* note 63, at para. 8.1.2; UDRP, *supra* note 65, at para. 4(a)(i).

<sup>235</sup> *See, e.g.*, Société Air France v. Whois Privacy Contact, Netim/Buddhika Athauda, WIPO Case No. D2018-1206 (July 2, 2018) (the panel ignored “.blog” in comparing “AIR FRANCE” and “airfrance.blog”); Aetna Inc. v. Patrick Beeman/InsideTheBoards, WIPO Case No. D2018-0015 (Mar. 1, 2018) (the panel ignored “.health” in comparing “AETNA” and “aetna.health”).

<sup>236</sup> *See, e.g.*, Dpdgroup International Services Gmbh v. WhoisGuard Protected, MSFD Determination No. 369B0FE1 (Sept. 20, 2017) (the panel ignored “.solutions” in making the comparison between “DPD” and “dpd.solutions”); SLE Services Aux Loteries En Europe (Belgium) v Proxinvest Ltd (Cyprus), MSFD Determination No. A44CFBAB (Nov. 12, 2018) (the panel ignored “.tips” in comparing “EUROMILLIONS” and “euromillions.tips”).

<sup>237</sup> WIPO, *WIPO Overview of WIPO Panel Views on Selected UDRP Questions*, paras. 1.11.1-1.11.2 (3d ed. 2017) <https://www.wipo.int/amc/en/domains/search/overview3.0/>. This overview of WIPO panel decisions, which is also known as the WIPO Jurisprudential Overview 3.0, summarizes consensus panel views on a range of common and important substantive and procedural issues. It reflects, and assists the predictability of, UDRP decisions by panels appointed in WIPO cases.

<sup>238</sup> *See, e.g.*, Canyon Bicycles GmbH v. Domains By Proxy, LLC/Rob van Eck, WIPO Case No. D2014-0206 (Mar. 14, 2014) (the panel considered the suffix “.bike” in comparing “CANYON” and “canyon.bike” because the suffix increased possible confusion by providing context); Hultafors Group AB v. my domain limited, WIPO Case No. D2014-0597 (May 26, 2014) (the panel considered the suffix “.clothing” in comparing “SNICKERS” and “snickers.clothing” because the suffix increased possible confusion by providing context).

<sup>239</sup> *See, e.g.*, NCSOFT Corporation v. Navrin Sidhu/Bravestar, MSFD Determination No. A6098DD3 (Dec. 7, 2018) (the panel considered “.games” in comparing “AION” with “aion.games,” as the gTLD increased confusion).

<sup>240</sup> *See, e.g.*, WeWork Companies Inc. v. Michael Chiriac, Various Concepts Inc., WIPO Case No. D2016-1817 (Oct. 17, 2016) (the panel considered the suffix “.work” in making the

name's suffix comprises the trademark, as in "handbags.coach," it is unclear how a UDRP/URS panel will decide the issue of identity or confusing similarity. If panels strictly apply the general rule, the comparison between the trademark and the domain name will always return a result of "no similarity," the complaint failing as a result. The right approach, however, in cases such as this would be for UDRP and URS panels to consider the domain name's suffix in making the "trademark/domain name" comparison. Thus, unless a third exception to the general rule is carved out in this manner, the outcome will not be a balanced one.

## V. CONCLUSION

Our objective was to determine whether ICANN's dispute settlement mechanisms relating to its new gTLDs program align with trademark law and policy. Ensuring alignment between the two is vital from the perspective of balancing the rights of trademark proprietors and the interests of third parties. Although the new gTLDs program has generally afforded businesses and Internet users greater freedom in interacting and transacting on the Internet, it has created novel challenges concerning the protection and enforcement of trademark rights. The root cause for this is that a new gTLD string may theoretically and technically comprise any combination of alphanumeric characters, but, once delegated, the use of the gTLD becomes subject to the control of a single entity (i.e., the registry operator) to the exclusion of all others. Such an outcome is seemingly not inconsistent with a fundamental premise of trademark law—that at any given time, a single undertaking must exercise overall control over the use of a given trademark. However, when new gTLD applications in respect of strings that are identical or similar to trademarks are made by entities other than the corresponding trademark proprietor, disputes arise. These disputes are resolved mainly through ICANN's SCO and LRO pre-delegation dispute settlement mechanisms. Of the two, the LRO has more relevance with respect to trademark protection. For that reason, we considered the LRO in greater detail to determine its alignment with conventional trademark law standards.

In this regard, our analysis revealed that the language used by ICANN in setting out its LRO standard (i.e., the criteria that an objector must satisfy to succeed in an LRO proceeding) shares general similarities with the standard employed by ordinary courts in determining typical confusion-based trademark infringement and dilution cases. There were also some notable differences, such

---

comparison between "WEWORK" and a number of domain names such as "joinwe.work," "nycwe.work," and "rentmywe.work"); *Compagnie Générale des Etablissements Michelin v. Pacharapatr W.*, WIPO Case No. D2016-2465 (Jan. 13, 2017) (the panel considered the suffix ".plus" in comparing "TYPEPLUS" and "type.plus").



as the absence of the conventional “use” requirements, which, to a literal observer, might indicate a broader reach of the LRO standard. However, a perusal of the key LRO determinations revealed that panels had adopted a balanced approach, indicating a general alignment with trademark law and policy. We considered LRO determinations under three distinct thematic categories.

The first category concerned disputes involving new gTLDs corresponding to trademarks that were in concurrent use. With regard to such disputes, LRO panels have been conscious of the need to maintain the equilibrium between the parties in view of the territorial nature of trademark rights and contractual arrangements between them that facilitates a state of coexistence. However, unlike in the case of second-level domains, where concurrently used trademarks may be represented by domain names ending with multiple TLDs, in cases where a gTLD itself represents the trademark, the same flexibility does not apply. Accordingly, there is a need for ICANN to develop a specific policy to deal with new gTLD applications representing concurrently used trademarks so that the delegation of such gTLDs does not alter the equilibrium of coexistence. A failure to do so may result in the LRO standard being stretched beyond its logical limits, as reflected by the “.delmonte” determination.

The second category concerned disputes involving new gTLDs intended for use *as a trademark*. A characteristic feature of these disputes was that the new gTLD applicants had intended to use the gTLDs as *closed registries* for their business/branding purposes. With regard to such disputes, LRO panels have been conscious of the necessity to balance the need for exclusivity in the use of signs incorporating trademarks and the interests of third parties in making use of those signs for descriptive purposes. Panels have focused on fundamental principles of trademark law, such as distinctiveness and the doctrine of trademark use, in balancing the competing interests. Our analysis of the “.direct” and “.weibo” disputes revealed that when new gTLD applicants attempt to use descriptive elements of a competitor’s mark *as a trademark*, such applications are more likely to be defeated in the event the aggrieved trademark proprietor objects. Whereas, our analysis of the “.pin” dispute revealed that new gTLD applications in respect of descriptive strings, but with no evidence of secondary meaning capable of designating the goods or services of any party, are not likely to be defeated. These outcomes are consistent with trademark law and policy, especially in balancing the interests of free speech and competition in the online space.

The third category concerned disputes involving new gTLDs intended for *non-trademark use*. These are disputes where new gTLD applicants intended to make use of the applied-for strings as *open registries* in accordance with their ordinary meaning. Unlike

disputes between competing parties, these disputes do not concern gTLDs intended for use as a trademark. As such, even in cases where proprietors of highly distinctive marks, such as COACH, object to the delegation of new gTLD strings that resemble their trademarks, such objections are likely to be denied in the interest of the new gTLD applicant and third parties. However, since these gTLDs are intended to function as open registries, LRO panels have been conscious of possible post-delegation disputes that could arise in respect of second-level domain registrations—such as “handbags.coach,” which is likely to impair the COACH mark in the event an unauthorized third party registers that domain name. In that event, ICANN’s post-delegation dispute settlement mechanisms, such as the URS and UDRP, will have an important role to play in ensuring that an optimal balance is met between the interests of trademark proprietors and third parties that make use of new gTLDs, whether as registry operators or domain name registrants. In this regard, we have posited that URS and UDRP panels must adopt a more nuanced approach in determining domain name disputes. In particular, in making the “trademark/domain name” comparison, URS and UDRP panels must be prepared to deviate from the general practice of ignoring the domain name’s suffix (or the TLD) in making the comparison—so that, for instance, a comparison between “COACH” and “handbags.coach” will result in a finding of confusing similarity. Only then can we confidently say that a proper balance is achieved between the rights of trademark proprietors and the interests of third parties.

---

**HOW GROSS IS YOUR ASSIGNMENT?  
ACTIONS SPEAK LOUDER THAN WORDS WHEN  
TRANSFERRING GOODWILL**

*By Lynda Zadra-Symes\* and Jacob Rosenbaum\*\**

**Table of Contents**

I.	Introduction .....	839
II.	The General Rule Against Assignments in Gross .....	839
III.	Assignment in Gross Can Result in Abandonment of the Mark.....	840
IV.	How to Show Transfer of Goodwill .....	843
	A. Same or Substantially Similar Goods or Services .....	843
	B. Marketing to the Same Type of Consumers .....	845
	C. Transfer of Tangible Assets .....	846
	D. The Actions of the Assignor .....	847
	E. Continuity of Management .....	848
	F. Application of the Factors for Successful Transfer of Goodwill.....	848
V.	Effect of Assignment in Gross on Trademark Priority ....	849
VI.	Bankruptcy and Use of Trademarks as Collateral .....	851
VII.	Conclusion.....	853

---

\* Partner, Knobbe Martens Olson & Bear LLP (Orange County, California office), Member, International Trademark Association.

\*\* Associate, Knobbe Martens Olson & Bear LLP (Orange County, California office), Member, International Trademark Association.

## I. INTRODUCTION

Under U.S. law, if a trademark assignment is found to be “in gross”—that is, transferred without the corresponding goodwill—the assignment is invalid, and the trademark may be deemed abandoned.<sup>1</sup> This can occur even if the written transfer document expressly states that the mark is being transferred with the goodwill of the business. It is an evergreen problem that usually flies under the radar, until a particular assignment becomes the subject of litigation and the court scrutinizes its terms and the assignor’s and assignee’s past activities. This article discusses the due diligence and steps that should be taken when assigning a mark to reduce the risk of a subsequent abandonment finding.

## II. THE GENERAL RULE AGAINST ASSIGNMENTS IN GROSS

It is well settled that the transfer of a trademark or trade name without the goodwill in the mark is an invalid assignment “in gross.” This rule stems from the principle that the right to a trademark grows from its use, and not from its mere adoption or acquisition.<sup>2</sup> Therefore, unlike other forms of intellectual property, such as patents and copyrights, a trademark is not a right “in gross or at large.”<sup>3</sup> Rather, the function of a trademark is to designate the particular source of goods, or to convey information about the qualities of goods or services provided by a single source. If a trademark is used by an assignee in connection with a different goodwill—for instance, through use with a different line of business—or on different goods or services, there is a risk of deception and harm to consumers.<sup>4</sup> For this reason, the transfer of

---

<sup>1</sup> See, *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 266 (5th Cir. 1999) (SUGAR BUSTERS service mark for retail of diabetic products not sufficiently similar to SUGAR BUSTERS for retail book and retail store services; hence, no goodwill was transferred and assignment was deemed in gross and invalid); *Marshak v. Green*, 746 F.2d 927, 929 (2d Cir. 1984) (holding trademark could not be sold separate from its goodwill); compare *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 956 (7th Cir. 1992) (assignment of THIRST AID marks was valid and not in gross despite several years of interim non-use because goodwill was transferred with marks, and goodwill had not dissipated during period of non-use); *Defiance Button Mach. Co. v. C&C Metal Prods.*, 759 F.2d 1053, 1059 (2d Cir. 1985) (finding a mark was not abandoned where the assets were sold because the mark was explicitly retained by the owner with the goodwill, and residual goodwill remained).

<sup>2</sup> See *Marshak*, 746 F.2d at 929 (“A trademark is merely a symbol of goodwill and has no independent significance”).

<sup>3</sup> *Int’l Cosmetics Exch., Inc. v. Gapardis Health & Beauty, Inc.*, 303 F.3d 1242, 1246 (11th Cir. 2002). See also J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, §§ 18:2-18:3 (5th ed. 2021).

<sup>4</sup> *Marshak*, 746 F.2d at 929.

a trademark apart from its goodwill is considered an “in gross” assignment and is prohibited.<sup>5</sup>

### III. ASSIGNMENT IN GROSS CAN RESULT IN ABANDONMENT OF THE MARK

Because no rights transfer to the assignee through an assignment in gross, ownership of the rights remains with the original trademark owner.<sup>6</sup> Trademark assignment agreements often include terms requiring the assignor to agree to stop all use of a trademark upon assignment. Because the assignment in gross results in ownership of the rights being retained by the original owner, the assignor’s actions or cessation of use after assigning the mark may result in abandonment of the trademark. The abandonment by the assignor results in forfeiture of the trademark rights and a break in any continuity of use, thus destroying any right of priority or goodwill that may have existed in the mark.<sup>7</sup>

Several courts have found a trademark to be abandoned by the assignor after the assignor failed to properly transfer goodwill in the mark (and did not itself continue to use it). For example, in *interState Net Bank v. NetB@nk, Inc.*, the assignee purchased a registration for the mark NETBANK for “electronic payment services featuring a system of electronic money coupons that are exchanged by means of an on-line computer service,” and all goodwill in the mark.<sup>8</sup> However, the assignee did not adopt the NETBANK mark and instead began using a variation of the mark, NET.B@NK, for “online banking services.”<sup>9</sup> Despite not using the NETBANK mark as recited in the assignment, the assignee proceeded to enforce the NETBANK mark through cease and desist letters. Two years after the assignment, the assignee finally adopted and began using the NETBANK mark.<sup>10</sup> The court found the assignment was an invalid assignment in gross because the assignee’s online banking services were not substantially similar to

---

<sup>5</sup> *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (explaining the common law rule against assignments in gross); see 15 U.S.C. § 1060(b) (“A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark.”).

<sup>6</sup> *R & R Partners, Inc. v. Tovar*, 447 F. Supp. 2d 1141, 1149 (D. Nev. 2006) (finding that assignor retained rights as a result of invalid assignment in gross); *interState Net Bank v. NetB@nk, Inc.*, 348 F. Supp. 2d 340, 352 (D.N.J. 2004) (holding that the effect of the invalid assignment in gross was that the trademark remained with the original owner).

<sup>7</sup> *interState Net Bank*, 348 F. Supp. 2d at 352 (finding abandonment where assignor ceased using the mark at the time of the assignment); *Kleven v. Hereford*, CV1302783ABAGR, 2015 WL 4977185 (C.D. Cal. Aug. 21, 2015).

<sup>8</sup> *Id.* at 345.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 346.

the assignor's electronic payment services, and because the assignee made no attempt to benefit from any existing goodwill in connection with those services.<sup>11</sup> The court ordered cancellation of the registration, finding that the invalid assignment resulted in reversion of the rights to the assignor.<sup>12</sup> Since the assignor had ceased using the NETBANK mark at the time of the assignment, however, the court found the assignor had abandoned any rights in the mark.<sup>13</sup>

Similarly, in *Kleven v. Hereford*, the court found the assignor had abandoned its registration after assigning the mark.<sup>14</sup> The court held that the terms of the assignment requiring the assignor not to compete with the assignee demonstrated an intent not to resume use,<sup>15</sup> stating that "the fact that [the assignor] assigned and gave away her right to Registration '135 (notwithstanding the fact that it was an invalid assignment) is sufficient circumstantial evidence of [assignor's] intent not to resume commercial use" of the mark.<sup>16</sup>

As shown by these two examples, if the court deems the assignment to be in gross, the assignor's intent to discontinue use of the mark and the intent not to resume use, as demonstrated by the assignment agreement, supports a finding of abandonment of the trademark, resulting in neither party owning rights in the mark. To avoid this result, the parties to an assignment should take care in drafting the terms requiring the assignor to cease any business under the mark. In appropriate circumstances, a license-back to the assignor could be considered to permit it to continue using the mark in a manner that evidences continuation of the goodwill in the mark under license from the assignee.<sup>17</sup> In an assignment/license-back, the assignor assigns its trademark rights to the assignee, but continues to use the trademark under a license from the assignee. Such an agreement permits the maintenance of the quality of goods, customer lists, formulae, management, etc., without requiring an

---

<sup>11</sup> *Id.* at 350-351.

<sup>12</sup> *Id.* at 352.

<sup>13</sup> *Id.*

<sup>14</sup> *Kleven*, 2015 WL 4977185, at \*22.

<sup>15</sup> *Id.* at \*23.

<sup>16</sup> *Id.*

<sup>17</sup> See *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280 (9th Cir. 1992) ("A simultaneous assignment and license-back of a mark is valid, where it does not disrupt continuity of the products or services associated with a given mark."); *Syntex Laboratories, Inc. v. Norwich Pharmacal Co.*, 315 F. Supp. 45, 57 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971) (finding assignment valid where assignee licensed back mark to assignor); see also *J. Atkins Holdings Ltd. v. Eng. Discounts, Inc.*, 729 F. Supp. 945, 951 (S.D.N.Y. 1990), as amended (Feb. 27, 1990) (finding no assignment in gross where assignee licensed mark to same company that was previously distributing goods bearing the B & W mark in the United States).

extensive transfer of assets and commercial knowledge relating to the trademark.<sup>18</sup>

Additionally, in some cases, courts have found that the act of the assignment in gross itself can result in abandonment of the trademark. For example, some courts have viewed the fact of the assignee's use of the mark in connection with different goods as a fraud on the purchasing public, resulting in abandonment of the mark.<sup>19</sup> This is because the mark has become divorced from its goodwill, and has therefore lost its significance as an indication of origin for the goods associated with the mark and owner.<sup>20</sup> Similarly, the Trademark Trial and Appeal Board has held that a registration may be considered abandoned due to an invalid assignment when the invalid assignment "causes the mark . . . to lose its significance as a mark."<sup>21</sup>

Once a court determines that a trademark has become invalid due to an assignment in gross and finds that the mark has been abandoned, it is in the court's power to order cancellation of any registration for the assigned mark.<sup>22</sup> Section 37 of the Lanham Act, 15 U.S.C. § 1119, empowers courts to direct the cancellation of an invalid trademark registration in any action involving the registration.<sup>23</sup> In particular, courts have found that cancellation is proper when a trademark has been abandoned.<sup>24</sup> Moreover, it is a court's duty to direct cancellation of the registration if the court finds the registration invalid.<sup>25</sup>

Thus, when drafting an assignment agreement, it is important to consider what steps the parties are taking to transfer goodwill of the business with the mark. An assignment in gross may result in the transfer of no priority rights, abandonment of the trademark, and, ultimately, cancellation of the assigned registration.

---

<sup>18</sup> See *E. & J. Gallo*, 967 F.2d at 1280. However, in the situation of a license-back, the assignee must maintain quality control to avoid a finding that the license-back is a "mere naked license," which can result in abandonment of the mark by the assignee licensor. See *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A. 1978).

<sup>19</sup> *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 266 (5th Cir. 1999); see also *Defiance Button Mach. Co. v. C&C Metal Prods.*, 759 F.2d 1053, 1059 (2d Cir. 1985).

<sup>20</sup> *Defiance Button Machine Co.*, 759 F.2d at 1059.

<sup>21</sup> See *Ashland Licensing & Intellectual Prop. LLC & Valvoline Licensing & IP LLC*, Cancellation No. 9205729, 2019 WL 1916109, at \*31 (Apr. 26, 2019) (rejecting the claim that the mark had been abandoned due to an invalid assignment in gross (but cancelling it on other grounds)) [non-precedential TTAB decision].

<sup>22</sup> See *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1550-51 (11th Cir. 1986); *Gracie v. Gracie*, 217 F.3d 1060, 1065-66 (9th Cir. 2000).

<sup>23</sup> *PlayNation Play Sys. v. Vexel Corp.*, 924 F.3d 1159, 1171 (11th Cir. 2019).

<sup>24</sup> *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1550-51 (11th Cir. 1986).

<sup>25</sup> *Gracie v. Gracie*, 217 F.3d 1060, 1065-66 (9th Cir. 2000); see also *AmBrit*, 812 F.2d at 1550-51 (reversing a refusal to cancel an abandoned trademark registration).

#### IV. HOW TO SHOW TRANSFER OF GOODWILL

The determination of whether goodwill has transferred with a trademark assignment is highly factual and is not guided by bright-line rules. Courts consider several different factors to determine if the goodwill of a business has been transferred with the trademark. For example, courts will look to (a) whether the purported assignee is using the mark on substantially similar goods as the assignor, (b) whether other assets were transferred with the trademark, (c) whether the assignor has continued to capitalize on the goodwill associated with the original mark, and (d) whether there is continuity between the prior owner and present owner, for example, through continuity of management.

As mentioned above, in determining whether an agreement transfers goodwill, the courts look beyond the language of the agreement.<sup>26</sup> Merely stating that “goodwill” is meant to be transferred by an agreement does little to actually transfer the goodwill associated with a mark. Conversely, the omission of words transferring goodwill from the assignment does not necessarily create an assignment in gross.<sup>27</sup> The courts look instead to the substance of the transaction and the parties’ actions to see whether goodwill in the mark was transferred.<sup>28</sup>

##### *A. Same or Substantially Similar Goods or Services*

The factor most commonly considered by the courts is whether the purported assignee of the trademark is continuing to use the mark on the same or substantially similar goods as the assignor.<sup>29</sup>

---

<sup>26</sup> Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 676 (7th Cir. 1982) (“such a recitation is not necessarily dispositive”); Glow Indus., Inc. v. Lopez, 273 F. Supp. 2d 1095, 1108 (C.D. Cal. 2002) (“a mere recitation in the assignment agreement that the mark was assigned together with the good will of the business symbolized by the mark is not sufficient to establish a valid transfer”); Greenlon, Inc. of Cincinnati v. Greenlawn, Inc., 542 F. Supp. 890, 892 (S.D. Ohio 1982) (invalidating as an assignment in gross an agreement that purported to transfer a “federally registered mark, together with the goodwill symbolized by the mark . . .”).

<sup>27</sup> See, e.g., Uptown Grill, L.L.C. v. Camellia Grill Holdings, Inc., 920 F.3d 243, 248-49 (5th Cir. 2019) (“trademark ownership and the related goodwill ‘impliedly pass [ ] with ownership of the business, without express language to the contrary”).

<sup>28</sup> See, e.g., interState Net Bank v. NetB@nk, Inc., 348 F. Supp. 2d 340, 349 (D.N.J. 2004); Greenlon Inc. of Cincinnati v. Greenlawn, Inc., 542 F. Supp. 890, 892 (S.D. Ohio 1982); Liquid Glass Enters., Inc. v. Liquid Glass Indus. of Canada, Ltd., No. CIV. A. 90-1948, 1989 WL 222653 at \*5 (E.D. Mich. Apr. 28, 1989) (holding assignment was invalid assignment in gross because assignor retained the goodwill).

<sup>29</sup> See Pepsico, Inc. v. Grapette Co., 416 F.2d 285, 289 (8th Cir. 1969); Sugar Busters LLC v. Brennan, 177 F.3d 258, 266 (5th Cir. 1999) (assignment in gross occurred when assignor used the mark on a retail diabetics supply store and assignee used the mark on a book for diabetics); Atlas Beverage Co. v. Minneapolis Brewing Co., 113 F.2d 672, 677 (8th Cir. 1940) (assignment in gross occurred when assignor used the mark on whiskey and assignee used the mark on beer); Boathouse Grp., Inc. v. TigerLogic Corp., 777 F. Supp. 2d 243, 251-52 (D. Mass. 2011) (assignment in gross occurred where the assignor



Many courts have held that when a trademark is transferred to be used on a new or different product, the goodwill that the mark represents cannot also be transferred.<sup>30</sup> This is because of the risk of deception to consumers arising out of the use of the trademark on a different product. The purchasing public learns to associate a trademark with a specific source or certain qualities. Once the trademark is applied to different goods, consumers, thinking a product will have one quality or characteristic, may buy a product only to find out that the product is, in fact, different.<sup>31</sup> Allowing the public to lose faith in the trademark and associate the mark with the new goods fails to provide the protection afforded to consumers by trademark law.<sup>32</sup>

Moreover, the goods do not have to be radically different to result in failure of transfer of goodwill and render the assignment in gross. Even minor changes in the product sold by the assignee can result in a finding of assignment in gross. For example, in *Pepsico, Inc. v. Grapette Co.*, the assignee purchased the trademark PEPPY, which the assignor had used in connection with a cola-flavored syrup for making soft drinks. The assignee, however, used the assigned PEPPY trademark in connection with pepper-flavored soft drinks, rather than cola-flavored syrups.<sup>33</sup> The court held that the purported assignment was an invalid assignment in gross because the assignee was not using the trademark “on a product having substantially the same characteristics” as the product of the assignor.<sup>34</sup> In two other cases, the courts rejected the assignee’s argument that ready-to-drink beverages and powders used to make beverages are substantially similar, and found that goodwill in the mark had not been transferred.<sup>35</sup>

Clearly, it is important that the assignee conduct due diligence to determine the products or services with which the assignor is using the mark. If the assignor has already abandoned its mark,

---

and assignee used the trademark on two different types of software); *Indep. Baking Powder Co. v. Boorman*, 175 F. 448, 455 (C.C.D.N.J. 1910) (assignment in gross occurred when assignor used the mark on alum baking powder and assignee used the mark on phosphate baking powder).

<sup>30</sup> *Pepsico*, 416 F.2d at 289.

<sup>31</sup> *Marshak v. Green*, 746 F.2d 927, 929 (2d Cir. 1984) (quoting *Pepsico*, 416 F.2d at 289); *accord Sugar Busters*, 177 F.3d at 265.

<sup>32</sup> *Marshak*, 746 F.2d at 929.

<sup>33</sup> *Pepsico*, 416 F.2d at 289.

<sup>34</sup> *Id.* at 288.

<sup>35</sup> *Archer Daniels Midland Co. v. Narula*, No. 99C6997, 2001 WL 804025 at \*7 (N.D. Ill. July 12, 2001) (finding that goodwill in the NUTRISOY mark had not been transferred); *see also Vital Pharm., Inc. v. Monster Energy Co.*, 472 F. Supp. 3d 1237, 1264-65 (S.D. Fla. 2020) (finding abandonment of the assigned mark and ordering cancellation of the assigned registration. Assignor had used the mark for a powdered nutritional supplement; assignee used the mark for ready-to-drink beverages).

there is no goodwill or trademark to transfer.<sup>36</sup> Similarly, if the assignor has only made *de minimis* or token use, then there may not be enough goodwill to transfer with the mark.<sup>37</sup> Also, the assignee's goods must be the same or substantially similar to those of the assignor in order for the goodwill to transfer (or a license-back arrangement should be considered).

### ***B. Marketing to the Same Type of Consumers***

Even when the assignee applies the assigned mark to the same or substantially similar goods, the court may still find that goodwill has not transferred if the assignee's goods are marketed to a different audience. For example, in *Clark & Freeman Corp. v. The Heartland Co.*,<sup>38</sup> the assignee purchased the trademark HEARTLAND from Sears. Sears had used the mark on women's boots, but the plaintiff used the mark to sell men's boots and other men's shoes. The court held this was an invalid assignment in gross, finding that the assignor's and assignee's products were not substantially similar.<sup>39</sup> Many other cases have reached similar conclusions.<sup>40</sup>

In addition to similarities of products or services, courts also look for similar levels of quality and other steps to maintain consistency in how the mark is used. In *Vittoria N. Am., L.L.C. v. Euro-Asia Imports Inc.*, the court held that an assignment from an Italian company to its North American distributor was not in gross where the goods did not change. The court found that the assignee had taken significant steps to ensure the mark continued to signify the same high-end goods—in this case racing tires for bicycles—to which consumers were accustomed.<sup>41</sup> These steps, paired with the

---

<sup>36</sup> *Parfums Nautee Ltd. v. Am. Int'l Indus.*, 22 U.S.P.Q.2d 1306 (T.T.A.B. 1992).

<sup>37</sup> See *Vaqueros De Las Olas, L.P. v. Marla Gibson Diaz*, 2014 WL 11034335, at \*2-4 (T.T.A.B. 2014) (finding question of fact remained whether assignment was in gross, and whether assets existed at the time of the transfer).

<sup>38</sup> *Clark & Freeman Corp. v. The Heartland Co.*, 811 F. Supp. 137, 138 (S.D.N.Y. 1993).

<sup>39</sup> *Id.* at 141.

<sup>40</sup> See *BBC Grp. NV LLC v. Island Life Rest. Grp. LLC*, 413 F. Supp. 3d 1032, 1042 (W.D. Wash. 2019), *reconsideration denied*, No. C18-1011 RSM, 2019 WL 4917060 (W.D. Wash. Oct. 4, 2019), and *reconsideration denied*, No. C18-1011-RSM, 2019 WL 4991533 (W.D. Wash. Oct. 8, 2019) (noting that “substantially similar products” must appeal to “similar customer groups” and finding that Korean restaurant and Mediterranean restaurants were not substantially similar); *interState Net Bank*, 348 F. Supp. 2d at 349 (retail consumer banking customers of assignee differ from online vendors using assignor's services); *Glow Indus., Inc. v. Lopez*, 273 F. Supp. 2d 1108, 1113 (C.D. Cal. 2002) (finding that skin lotions and cleansers designed to improve skin health appear to appeal to different groups of consumers from fragrances and cosmetics, and thus questions of fact remained as to whether assignment was in gross).

<sup>41</sup> *Vittoria N. Am., L.L.C. v. Euro-Asia Imps. Inc.*, 278 F.3d 1076, 1083-84 (10th Cir. 2001).

lack of disruption in the quality associated with the goods, demonstrated that goodwill transferred with the mark.<sup>42</sup>

The substantial similarity analysis is highly factual, and the courts are not always consistent in applying the substantial similarity test. Compare, for example, *interState Net Bank v. NetB@nk, Inc.* (where the court found that an electronic payment service was not substantially similar to traditional banking services offered over the Internet), with *Visa, U.S.A., Inc. v. Birmingham Trust National Bank*<sup>43</sup> (where the court determined that a check approval service enabling payment by check for purchases upon showing a card in a grocery store *was* the “same basic service” as Visa’s check card services). In *interState*, the court considered that the services offered by the assignee appealed to a different consumer group (namely, retail consumer banking customers) from the assignor’s services (namely, vendors seeking to buy and sell low-cost items over the Internet).<sup>44</sup> In contrast, the court in *Visa* stated that the consumers of the assignor’s and assignee’s products were the same—namely, individuals who would find the cards useful in paying with personal checks.<sup>45</sup>

The cases discussed above illustrate that whether the assignor’s and assignee’s goods or services are the same or substantially similar is a more nuanced question than whether they are in the same class or serve a similar purpose. Courts also consider whether the goods or services are marketed to the same consumers and maintain similar qualities and characteristics.

### C. Transfer of Tangible Assets

Another factor courts consider is whether the assignee purchased any assets associated with the trademark, such as (1) physical equipment used by the assignor in making its trademarked goods, (2) formulas used to make the trademarked goods, or (3) customer lists for the trademarked goods.<sup>46</sup> While this factor can be highly telling, it is not necessary to transfer assets for

---

<sup>42</sup> *Id.* at 1084.

<sup>43</sup> *interState Net Bank*, 348 F. Supp. 2d at 349; *Visa, U.S.A., Inc. v. Birmingham Tr. Nat. Bank*, 696 F.2d 1371, 1376 (Fed. Cir. 1982).

<sup>44</sup> *interState Net Bank*, 348 F. Supp. 2d at 349.

<sup>45</sup> *Visa, U.S.A., Inc.*, 696 F.2d at 1376.

<sup>46</sup> See *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A. 1978); *Mister Donut of Am., Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 842 (9th Cir. 1969); *Pepsico Inc. v. Grapette Co.*, 416 F.2d 285, 290 (8th Cir. 1969); *Archer Daniels Midland Co. v. Narula*, No. 99C6997, 2001 WL 804025 at \*7 & n.7 (N.D. Ill. July 12, 2001); *Liquid Glass Enters. v. Liquid Glass Indus. of Canada*, No. 88-71510, 1989 WL 222653, at \*5 (E.D. Mich. Apr. 28, 1989); *Greenlon, Inc. of Cincinnati v. Greenlawn, Inc.*, 542 F. Supp. 890, 894 (S.D. Ohio 1982). “The most telling sign of an assignment in gross is the transfer of the trademark separate and apart from any tangible assets.” *In re Impact Distrib., Inc.*, 260 B.R. 48, 54 (Bnkr. S.D. Fla. 2001).

a valid assignment to exist; as the court noted in *Hy-Cross Hatchery, Inc. v. Osborne*, “We do not see what legal difference it would have made if a crate of eggs had been included in the assignment, or a flock of chickens destined to be eaten.”<sup>47</sup> A trademark may be validly transferred without the transfer of any tangible (or other related) assets, as long as the assignee continues to produce goods of the same quality and nature.<sup>48</sup> Nevertheless, the transfer of assets, such as machinery, manufacturing materials, formulas, or customer lists, is helpful to demonstrate that the goods being produced by the assignee are of the same quality as those of the assignor.

#### *D. The Actions of the Assignor*

As mentioned above, assignment agreements often include terms requiring an assignor to cease all sales of goods under the assigned trademark. The assignment may also include non-compete terms. Such terms help to show that the goodwill in the trademark has been assigned to the assignee, provided that additional evidence of transfer of goodwill exists, as discussed above.<sup>49</sup> What happens, however, when the assignor continues to conduct the same business as it had before the transfer but under a different mark?

When an assignor continues to make its original product, or offer the same service, under a new trademark, this is a strong indication that the assignor has, in fact, transferred the goodwill it purported to assign to its own new trademark, rather than transferring that goodwill to the assignee. Where this factor is combined with the assignor’s failure to transfer any tangible assets, the inference that no goodwill was transferred is especially strong. As Professor McCarthy has explained: “If the ‘assignee’ buys *none* of the tangible assets of the assignor and the assignor continues to sell the same products under a different mark, this would tend to prove that the assignee received no good will at all.”<sup>50</sup>

---

<sup>47</sup> *Hy-Cross Hatchery, Inc. v. Osborne*, 303 F.2d 947, 950 (C.C.P.A. 1962).

<sup>48</sup> *Defiance Button Mach. Co. v. C&C Metal Prods.*, 759 F.2d 1053, 1059 (2d Cir. 1985).

<sup>49</sup> *See Cal. Packing Corp. v. Sun-Maid Raisin Growers*, 81 F.2d 674, 678 (9th Cir. 1936) (“A manufacturer cannot make a valid assignment of a trade-mark and continue the manufacture or sale of the same products in connection with which the trade-mark was used.”); *Archer Daniels Midland*, 2001 WL 804025 at \*7 (no goodwill transferred where assignor “continues to sell the same products” under a new trademark); *Indep. Baking Powder Co. v. Boorman*, 175 F. 448, 451 (C.C.D.N.J. 1910) (assignor discontinued use of the trademark SOLAR, “but kept their business and continued to manufacture identically the same powder and sell it under the same symbols under which it had previously been sold, save that they did not use the name ‘Solar.’”); *Eiseman v. Schiffer*, 157 F. 473, 476 (C.C.S.D.N.Y. 1907) (assignor “continued to conduct the business in which it has used the mark precisely as it had before, with the single exception that it affixed the mark ‘Electra’ instead of ‘Radium’ to the goods it sold.”).

<sup>50</sup> McCarthy, *supra* note 3, § 18:23 (emphasis in original); *see also Liquid Glass*, 1989 WL 222653 at \*5 (assignor informed its customers that its products were available under a new trademark, evidencing an assignment in gross).

### *E. Continuity of Management*

If the assignor's management team joins the assignee, this can help ensure that the assignee is able to exploit the assignor's goodwill through use and implementation of the assignor's formulas and quality control procedures.<sup>51</sup> Further, continuity of management may be seen as evidence that the assignee is providing the same quality of goods or services that were originally offered by the assignor.<sup>52</sup> For example, courts have considered whether the assignee is run or owned by a former officer of the assignor in determining whether a trademark was validly assigned.<sup>53</sup> Courts have also looked at whether the personnel involved in the distribution of a product have remained unchanged.<sup>54</sup>

In *J. Atkins Holdings Ltd.*, the assignee, Atkins, received the rights to the B & W trademarks for loudspeakers in the United States along with the accompanying goodwill.<sup>55</sup> As part of the assignment agreement, Atkins agreed to grant a license for the distribution and exclusive sale of B & W loudspeakers in the United States to the same company that had previously been exclusively selling and distributing goods under the mark.<sup>56</sup> Because the same company, including all of its personnel, continued exclusively selling and distributing B & W branded goods in the United States, the court determined the assignment was not in gross.<sup>57</sup> Where there is no change in management, or in the employees responsible for the sale, manufacture, or distribution of goods or services under a particular mark, courts usually find that the business continues to operate as before, and the public continues to receive the same quality of goods and services to which it has become accustomed.<sup>58</sup>

### *F. Application of the Factors for Successful Transfer of Goodwill*

While the above factors are non-exhaustive and may not be applicable in every case, they provide insight into the types of due diligence and steps required to ensure goodwill is transferred with

---

<sup>51</sup> *Marshak v. Green*, 746 F.2d 927, 930 (2d Cir. 1984).

<sup>52</sup> *Spiral Direct, Inc. v. Basic Sports Apparel, Inc.*, 293 F. Supp. 3d 1334, 1366 (M.D. Fla. 2017) (quoting *J. Atkins Holdings Ltd. v. English Discounts, Inc.*, 729 F. Supp. 945, 950 (S.D.N.Y. 1990)).

<sup>53</sup> *Sik Gaek, Inc. v. Yogi's II, Inc.*, No. 10-CV-4077 ARR VVP, 2013 WL 2408606, at \*3 (E.D.N.Y. June 3, 2013) (finding a genuine factual dispute of whether assignee acquired trademark with goodwill where owner of the assignee was also the president of assignor).

<sup>54</sup> *J. Atkins Holdings Ltd.*, 729 F. Supp. at 951 (where company in charge of U.S. distribution remained unchanged, assignment was found not to be in gross).

<sup>55</sup> *Id.* at 948.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 951.

<sup>58</sup> *Id.*

the mark. By maintaining continuity of management; transferring customer lists, manufacturing know-how, ingredient lists, or recipes; or selling the same or substantially similar goods, the quality and nature of the goods sold under an assigned mark are more likely to remain unchanged, thus resulting in a lower risk of consumer deception.<sup>59</sup> Alternatively, if an assignee purchases nothing more than the trademark, and begins selling different goods under the mark, or the original owner continues to sell the very same goods under a different mark, the goodwill is unlikely to transfer, resulting in consumer deception and an assignment in gross.

### V. EFFECT OF ASSIGNMENT IN GROSS ON TRADEMARK PRIORITY

The issue of whether a trademark assignment is an invalid assignment in gross often arises in the context of litigation, where the assignee is attempting to enforce its rights against a third-party infringer. The party enforcing trademark rights acquired by assignment must establish that it has priority in the mark. The sale of a trademark without goodwill results in the “irreversible destruction of trademark priority earned by the seller up to the date of closing.”<sup>60</sup> Therefore, if an assignment is determined to be in gross, the assignee attempting to assert its mark will be forced to rely on its own priority date and cannot benefit from the earlier use of the prior owner.<sup>61</sup>

This is also true for trademark registrations. It is common practice for an assignee to purchase a trademark registration with the goal of obtaining the assignor’s priority date to enforce the mark against a third party. While there is no prohibition on purchasing a trademark registration for purposes of gaining priority, if the assignment violates the rule against assignment in gross, the assignee will not enjoy the benefit of the assignor’s priority date.<sup>62</sup>

---

<sup>59</sup> See *Matter of Roman Cleanser Co.*, 802 F.2d 207, 209 (6th Cir. 1986) (holding that “good will” does not mean machinery necessary to manufacture product in question but was satisfied by transfer of formulas and customer lists).

<sup>60</sup> Neal R. Platt, *Good Will Enduring: How to Ensure That Trademark Priority Will Not Be Destroyed by the Sale of a Business*, 99 TMR 788, 793 (2009).

<sup>61</sup> *Clark & Freeman v. The Heartland Co.*, 811 F. Supp. 137, 139 (S.D.N.Y. 1993). See also *Mister Donut of Am., Inc. v. Mr Donut, Inc.*, 418 F.2d 838, 842 (9th Cir. 1969); *Ludden v. Metro Weekly*, 8 F. Supp. 2d 7, 16 (D.D.C. 1998).

<sup>62</sup> Under the anti-trafficking rule, an intent to use application cannot be assigned before the applicant files a verified statement of use “except for an assignment to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing.” 15 U.S.C.A. § 1060(a)(1). Similar to the anti-assignment in-gross provision, the purpose of this rule is to prohibit the buying and selling of a mark apart from any goodwill. In the case of applications filed on an intent to use basis, the mark “has not yet been used and thus has no legal basis as a ‘trademark.’” McCarthy, *supra* note 3, § 18:13. Therefore, it is impossible to assign an

This is because “ownership of the trademark rests on adoption and use, not on registration.”<sup>63</sup> In a battle for priority, it is the party who is first to actually use the mark, *not* necessarily first to register, who achieves priority.<sup>64</sup> The fact that a trademark is registered in and of itself does not extend the registrant’s rights but rather confers only procedural advantages, albeit significant ones.<sup>65</sup> This distinction becomes important in the context of an assignment in gross. While the assignee’s objective may be to obtain the registration and the priority date it conveys, the rule against an assignment in gross requires assignment of the underlying trademark rights together with the goodwill developed in the mark as it is actually used in the marketplace. Otherwise, the assignee will find itself without the underlying trademark rights and the procedural priority it hoped to obtain from the registration.

Unless goodwill is transferred with the trademark, the priority date will not be transferred with the registration, and the registration itself may be at risk of cancellation due to abandonment. Moreover, the rights acquired by valid assignment may be limited to the goods or services on which a trademark owner has actually used its mark.<sup>66</sup> This may be the case even if the identification of goods in the registration is stated generally (e.g., clothing), but the owner only sold specific goods in that category (e.g., shirts) under the trademark. For example, in *Schmidt v. Versacomp, Inc.*,<sup>67</sup> the plaintiff and defendant both sold boat lifts under the TNT trademark. After infringement litigation began, the plaintiff purchased a 1966 registration for a TNT trademark from Gray Manufacturing. The registration was for “vehicle lifts,” but Gray had used the TNT trademark only on lifts for cars and trucks.<sup>68</sup>

---

intent to use application for the sole purpose of obtaining priority unless the assignee is the successor to the business of the original applicant.

<sup>63</sup> Turner v. HMH Pub. Co., 380 F.2d 224, 228 (5th Cir. 1967); *see also* McCarthy, *supra* note 3, § 16:18.

<sup>64</sup> McCarthy, *supra* note 3, § 16:18. *See also* Long Grove Inv. v. Baldi Candy Co., 397 F. Supp. 3d 1190, 1195 (N.D. Ill. 2019); Industry Advanced Techs. v. Matthews Studio Equip., No. CV 17-4962, 2018 WL 6131228 at \*10 (C.D. Cal. July 30, 2018).

<sup>65</sup> Turner v. HMH Pub. Co., 380 F.2d 224, 228 (5th Cir. 1967). For example, a U.S. Trademark Registration creates a presumption that the trademark is valid, that the registrant owns the trademark, and that the registrant has the exclusive right to use the trademark for the registered goods, among other procedural advantages.

<sup>66</sup> Jean Patou, Inc. v. Theon, Inc., 9 F.3d 971, 975 (Fed. Cir. 1993) (“[i]t is elementary that a registrant has rights under the statute only with respect to goods on which the trademark has been used.”). However, nothing in the rule would prevent a valid assignee from later expanding its use under the mark to launch a related product, so long as the assignee continued to offer the same or substantially similar goods as those offered by the assignor. Ultimately, the court will still look to the underlying transaction to see if goodwill was validly transferred.

<sup>67</sup> Schmidt v. Versacomp, Inc., No. 08-60084, 2011 WL 13172509 at \*3 (S.D. Fla. Feb. 17, 2011).

<sup>68</sup> *Id.*

The court held that the plaintiff's acquisition of Gray's TNT trademark was an assignment in gross because the plaintiff's boat lifts differed substantially from Gray's car and truck lifts.<sup>69</sup> The court expressly considered and rejected the plaintiff's argument that it was entitled to priority for all "vehicle lifts" because those were the goods recited in the registration.<sup>70</sup>

While this result may seem harsh, it comports with the general rationale behind the anti-assignment in gross rule. While a trademark registration may broadly cover "vehicle lifts," the mark will have acquired goodwill only with consumers who have encountered the mark in connection with the actual goods on which the mark is being applied.

## VI. BANKRUPTCY AND USE OF TRADEMARKS AS COLLATERAL

It is important to note that certain situations will make it difficult or impossible to satisfy all of the factors set forth above for avoiding an assignment in gross. For example, trademark rights may be assigned as a result of bankruptcy proceedings, where the assets are distributed to creditors. Or a trademark may be assigned as a security interest. In these situations, the validity of the assignment may be placed in jeopardy.

Courts generally hold that a trademark may validly be assigned as a result of bankruptcy proceedings. This is because upon the bankruptcy of the trademark owner, the trademark, together with the goodwill it symbolizes, becomes vested in the trustee and may then be sold as a combined asset of the estate.<sup>71</sup> However, the validity of the transfer may be less certain in the case of a security interest applied to a trademark. If assets and goodwill are transferred along with the security interest, then the transfer may be valid, so long as the trademark maintains its significance.<sup>72</sup> In contrast, if the security interest is held by a party with no intention to continue using the mark, or if no goodwill is transferred with the trademark, and there is a default triggering assignment of the mark, then the security interest could be found to be an in gross assignment.

For example, in *Haymaker Sports Inc. v. Turian*,<sup>73</sup> Avon, the trademark owner, and its attorneys entered into an agreement wherein Avon assigned the HAYMAKERS mark to its attorneys

---

<sup>69</sup> *Id.* at \*5.

<sup>70</sup> *Id.*

<sup>71</sup> *Johanna Farms, Inc. v. Citrus Bowl, Inc.*, 468 F. Supp. 866, 874 (E.D.N.Y. 1978).

<sup>72</sup> *See Matter of Roman Cleanser Co.*, 802 F.2d 207, 209 (6th Cir. 1986) (security interest was not an invalid in gross assignment where assignee received formulas and customer lists with trademarks).

<sup>73</sup> *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 259 (C.C.P.A. 1978).



“together with the goodwill of the business” as collateral security for payment of attorneys’ fees. However, Avon continued to use the mark.<sup>74</sup> After Avon’s business declined, and it defaulted on the attorney-fee payments, the attorneys recorded the assignment.<sup>75</sup> The parties then entered into a second agreement, confirming the assignment, and stating that in the event of Avon permanently ceasing to do business, any owners of stock of the corporation would have the right to continue payments, and upon complete payment, the mark would be assigned to the individual making payments.<sup>76</sup> Avon ceased doing business. Turian, a stockholder of Avon, continued to make payments, and ultimately the attorneys assigned the mark to him.<sup>77</sup> However, the United States Court of Customs and Patent Appeals held that no rights transferred to Turian because the assignments were invalid.<sup>78</sup> Because the attorneys never played a role in the business, when they recorded the assignment with the United States Patent and Trademark Office, they obtained legal title only, without any goodwill, and thus the assignment was an invalid assignment in gross.<sup>79</sup> After this recordation it was “too late to ‘resurrect’ the agreement to assign the mark sometime in the future,” and thus the assignment to Turian was also invalid.<sup>80</sup>

The court noted that this assignment was distinguishable from an assignment through bankruptcy, where the creditors or trustee succeed to all assets, both tangible and intangible.<sup>81</sup> In such bankruptcy assignments, a trademark can validly be assigned with the appurtenant goodwill and assets to a subsequent purchaser. It is possible, however, that a bankruptcy proceeding could result in the sale of some but not all assets, thus resulting in either an assignment in gross, or the sale of all assets except the intellectual property rights.<sup>82</sup> Therefore, it is important that creditors and trustees be cognizant of the rights they are acquiring and ensure that the tangible assets of the business are transferred with the goodwill and trademarks included in the purchase.

---

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.*

<sup>77</sup> *Id.* at 259-260.

<sup>78</sup> *Id.* at 261.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> *Id.* at 262.

<sup>82</sup> See *Engineered Abrasives, Inc. v. Richerme*, No. 18 C 6562, 2020 WL 5365969, at \*6 (N.D. Ill. Sept. 8, 2020) (holding that Engineered Abrasives did not acquire trademarks during a bankruptcy proceeding where trademarks were not listed in the bill of sale or asset purchase agreement and Engineered Abrasives did not acquire “all assets” in the bankruptcy sale).

It is also the case that some security interests could trigger an assignment in gross prior to default. For example, if a security interest is effectuated by means of an operative assignment as opposed to a conditional assignment, and the creditor-assignee does not take the goodwill and continue to use the mark, or the security interest does not include a license-back provision, then the assignment may be deemed an assignment in gross.<sup>83</sup> Similarly, if the security interest calls for a conditional assignment, but does not include the goodwill, then on default the assignment may become an invalid assignment in gross.<sup>84</sup> Therefore, careful due diligence is required when registering and perfecting security interests in trademarks to make sure the mark is in use, and that the goodwill is also included in the security interest. Otherwise, the security interest may have no value, as it could be found to be an invalid assignment in gross.

## VII. CONCLUSION

It is common practice for trademark lawyers to provide their clients with assignment documents that recite “transfer of goodwill” with “tangible assets as indicia of goodwill.” The cases discussed above highlight how important it is to go beyond the words of the assignment agreement and conduct due diligence to make sure that the circumstances surrounding the assignment will support its validity, particularly when enforcing the mark against a third party. It behooves the assignee, for example, to maintain documents evidencing the transfer of physical and other related assets (such as customer lists, formulae, know-how, etc.) and ensure that the assignor is not continuing to sell substantially similar products under a different mark. By paying more careful attention to the circumstances surrounding the assignment, and maintaining evidence of transfer of assets and goodwill, the risk of an assignment in gross and/or abandonment finding will be substantially reduced.

---

<sup>83</sup> McCarthy, *supra* note 3, § 18:7 (noting the difference between an operative assignment and a conditional assignment when discussing security interests). Because a conditional assignment does not convey any trademark rights but is merely an agreement to assign a mark in the future, a security interest founded on a conditional assignment should not violate the rule against assignments in gross. *Id.* However, if default triggers the assignment, goodwill must then transfer to the creditor-assignee. *Id.*

<sup>84</sup> *Id.* (noting that a security interest should never be in a trademark alone, divorced from goodwill).

## BOOK REVIEW

*By Stuart Green\**

### **Enforcement of Intellectual Property Rights in Africa.**

Marius Schneider & Vanessa Ferguson 2020. Pp. 1040. \$175.  
Oxford University Press, Great Clarendon Street, Oxford, OX2  
6DP, United Kingdom.

Any foundational work seeking to synthesize topics as expansive as the law, practice, and civil and criminal IP enforcement procedures across the world's second largest continent in a single digestible volume necessarily faces the unenviable but unavoidable task of determining where to draw the line, lest the commission never reach a natural conclusion. Authors Marius Schneider and Vanessa Ferguson confront this question from the standpoint that one needs to start somewhere and with a hope that their contribution to illuminating the area provides a firm footing for all stakeholders to share and build upon—an ambitious undertaking for any single jurisdiction.

From the introductory chapter, the authors do not pull their punches, seeking instead to sketch a realistic survey of the extent of the problems, impact, and factors enabling African counterfeiting and piracy at a continental level. From the under-resourced arms of the state, a lack of inter-agency and inter-jurisdictional cooperation, free-trade zones, the dearth of consistent customs enforcement mechanisms, porous borders, corruption, bribery, the proliferation of criminal networks, permissive online marketplaces, the expanding influence of China, a lack of specialized IP courts, and comparatively nascent legal frameworks, the challenges are numerous and varied—but far from insurmountable. Indeed, it is not all doom and gloom. Growing awareness of the import of IP, development of best practice frameworks, establishment and alignment of domestic legislation to meet international obligations, and acceptance and adoption of technology to facilitate effective IP enforcement and anticounterfeiting mechanisms all provide optimism for the future.

What follows is an assessment of the role and peculiarities of the African Intellectual Property Organization (“OAPI”) and the African Regional Intellectual Property Organization (“ARIPO”), the inter-African organizations responsible for the management of regional agreements on IP and each of the 54 countries within the

---

\* Principal, Davies Collison Cave Pty Ltd, Member, International Trademark Association. Mr. Green is a member of *The Trademark Reporter* Committee.

African continent. From a practical perspective, country chapters helpfully adopt a consistent format, allowing readers to navigate relevant legislative, civil, and criminal procedures and remedies, penalties, and sanctions, and customs enforcement mechanisms through a comparative lens. The comprehensive and methodical tome holds its own as an authoritative resource and is sure to be a valued addition to the reference libraries of IP professionals, rights holders, and academics interested in the state of protection and enforcement of IP rights in Africa.

An oft-quoted concept of “Africa rising” advocates a thesis that population and economic growth will allow for the development and transformation of the continent into a more influential player in world affairs. Key to the success of this endeavor will be acknowledgement, awareness, and acceptance of the value of IP rights and support for effective IP protection systems. Recognition and respect of IP as the engine of this change remains an essential prerequisite for continued investment in Africa. The authors’ timely efforts to catalog where things currently stand in relation to IP enforcement provide rights holders and their advisors with a valuable map as well as tips, tricks, and insight based on the experience of those who have come before to inform and help sculpt their African IP strategy.

---

# GUIDELINES FOR SUBMISSIONS TO *THE TRADEMARK REPORTER*

Founded in 1911, *The Trademark Reporter* (TMR) delivers engaging and comprehensive peer-reviewed scholarship on trademarks and related intellectual property from practitioners, academics, and judges worldwide.

The TMR welcomes submissions of articles, commentaries, and book reviews at [wknox@inta.org](mailto:wknox@inta.org).

The complete TMR Submission Guidelines are available at <https://www.inta.org/resources/the-trademark-reporter/tmr-submission-guidelines/>.

## THE TMR ONLINE

International Trademark Association: Issues of the TMR beginning with Volume 105, Number 1, 2015, are available to the public at <https://www.inta.org/TMR/>; INTA members may log in for complimentary access to the complete archive.

HeinOnline: Issues of the TMR beginning with Volume 1, Number 1, 1911, are available through HeinOnline.

LexisNexis: Issues of the TMR beginning with Volume 31, Number 1, 1941, are available through LexisNexis.

Westlaw: Issues of the TMR beginning with Volume 80, Number 1, 1990, are available through Westlaw.

## PRINTED COPIES

Printed copies of the TMR can be ordered from William S. Hein & Co., Inc. ([order@wshein.com](mailto:order@wshein.com)).