The current challenges faced by the law relating to intellectual property and consumer protection in the sphere of internet commerce

Andrius Mazeika

'Commerce' is a notion well established within the law, with many facets covering the various aspects that the "buying and selling of goods, especially on a large scale..."[1] entails. The advent of the internet has established 'cyber-space' existing alongside the physical world, in which economic transactions occur on a daily basis, the regulation of which are just as important as those concluded in the physical world. Although the position of the law is established in relation to transactions concluded in the physical world; the move to cyber-space poses many challenges which the courts and legislature have sought to remedy. It is the aim of this essay to examine the problems posed by cyber-space, look at the law that has developed to remedy them and analyse whether the law fulfils the objectives of fairness and certainty. These three processes will be conducted in relation to the law of: online presence and Intellectual Property and Consumer Protection; two vital spheres of internet commerce.

A fundamental issue which a move to the internet experienced related to intellectual property (IP)[2]. Of the many facets of intellectual property law, the least significant shall be dispensed with first; the law of copyright and patents, followed by the bulk of this section, relating to the issues and solutions brought about by the Domain Name System.

[1] "The activity of buying and selling, especially on a large scale..." (Oxford dictionaries http://www.oxforddictionaries.com/definition/english/commerce?q=Commerce)

[2] Pearson, H. E. '*Intellectual Property and the Internet*' The journal of world intellectual property 1998 vol.1(5) page 835

Moving on to the crux of the IP problems faced by the law, the challenge of domain name disputes shall now be considered. A domain name is the part of a Universal Resource Locator that identifies the website of an individual from others[3], and has become the centre of widespread disputes since commercial entities discovered the value of a domain name as a marketing tool[4]. This discovery compounded on the first-come-first-served basis of name allocation[5], and the national nature of trademark protection[6], which resulted in people registering well known company names as domain names in the hopes of selling them on with profit, or benefitting from the online traffic they attract (commonly known as Cybersquatting)[7]. These disputes are regulated under a patchwork series of initiatives that involve domestic law and international prerogatives. The logical starting point to examine these measures is the law of trademarks of England and Wales, which will be discussed in relation to its applicability to domain names.

There are several two main principles under which a domain name may be retrieved: trade mark infringement under the Trade Marks Act (TMA) 1994[8], or a claim under the principle of passing-off[9][10]. First to be addressed is a claim under s10 of the TMA[11]. This position seems to be less

[3] Or distinguishes an email hosting service from others (Black, W. 'The Domain Name System' *Law and the Internet: a Framework for Electronic Commerce*, 2nd Edition, (Heart Publishing Oxford: England Portland: Oregon) (2002) page 125

[4] By registering their trademarks as domain names to allow customers to more easily navigate to their web pages (Emerson, C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 166

[5] Davidson, A. 'The law and internet Commerce' 2009 Port Melbourne, Vic : Cambridge University Press, page 143

[6] Compared to the global nature of domain names (Pearson, H. E. 'Intellectual *Property and the Internet*' The journal of world intellectual property 1998 vol.1(5) page 833

[7] Waelde, C. 'Trade Marks and Domain Names' *Law and the Internet: a Framework for Electronic Commerce*, 2nd Edition, (Heart Publishing Oxford: England Portland: Oregon) (2002) page 135

[8] Trade Marks Act 1994 (legislation.gov.uk) (http://www.legislation.gov.uk/ukpga/1994/26)

[9] Per the case of *British Telecommunications Plc and Another v One in a Million Ltd and Others; and other actions* (1998) 4 All ER 476

relevant in relation to domain names, as shown in the cursory analysis of a claim under the TMA[12] in the leading case of One in a Million (OIAM)[13], wherein the court preferred an amended version of the Tort principle of passing-off[14]. Undoubtedly, this willingness of the courts to find a remedy[15] is indicative of a level of certainty and fairness, entitling victims of cybersquatting to obtain a remedy.

In addition to these remedies, there exists an international domain name resolution process which takes the form of the Universal Dispute Resolution Procedure (UDRP), established by the Internet Corporation for Assigned Names and Numbers (ICANN)[16]. Although at the core a good idea created to combat the expense and ineffectiveness of court proceedings[17], it is actually hamstrung by its own provisions[18]. The most significant of which is the ability of a party to apply for a court remedy during the UDRP process[19]. Compounding on this is the position outlined in the WIPO final report, that the courts should take a *de novo* review[20] of any finding by the panel[21]. Combined, these allow any

---

[10] Intellectual Property Office website (http://www.ipo.gov.uk/types/tm/t-other/t-infringe.htm)

[11] Which requires: use of a mark that is similar to another and causes confusion or similarity to a well known mark whose reputation is damaged or taken advantage of (Intellectual Property Office 'Infringement' 'What is Trademark Infringement' (http://www.ipo.gov.uk/types/tm/t-other/t-infringe.htm))

[12] Specifically S10(3) (Waelde C. 'Trade Marks and Domain Names' *Law and the Internet: a Framework for Electronic Commerce*, 2nd Edition, (Heart Publishing Oxford: England Portland: Oregon) (2002) page 147)

[13] *British Telecommunications Plc and Another v One in a Million Ltd and Others; and other actions* (1998) 4 All ER 476

[14] Under which Cybersquatters are charged with creating an instrument of deception where a nefarious act has been committed (Waelde C. 'Trade Marks and Domain Names' *Law and the Internet: a Framework for Electronic Commerce*, 2nd Edition, (Heart Publishing, Oxford: England, Portland: Oregon) (2002) page 147

[15] Scrumpton DJ expanded the principles of passing off far beyond previously contemplated (Davidson, A. '*The Law of Electronic Commerce*' (2009) (Port Melbourne, Vic: Cambridge Press) Page 153

[16] Based partly on a report compiled by the World Intellectual Property Organisation (Waelde, C. 'Trade Marks and Domain Names' *Law and the Internet: a Framework for Electronic Commerce*, 2nd Edition, (Heart Publishing Oxford: England Portland: Oregon) (2002) page 160

[17] The Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*' (1999) (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

[18] Emerson, C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 171

[19] Emerson, C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 173

[20] That is to say, a decision is made with no deference to previous decisions, as if considering the issues for the first time (Cornell University Law School, *Legal Information Institute*) (http://www.law.cornell.edu/wex/de_novo)

[21] The Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*' (1999) page 60 para196 (ii) and (v) (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

unwanted decision to be circumvented by initiating a court proceeding, the subsequent decision of which would take no account of the UDRP decision[22]. Although other flaws exist[23], these two constitute the most crippling provisions of the UDRP. Understanding the reasoning behind these provisions can be gleaned from the WIPO final report[24], wherein the consequences of a universal and binding international arbitration system were unknown[25]. Although this was stated as the position in the "...first stage..."[26] retaining an implication that in future, binding arbitration may be appropriate[27]. However, the current position of the UDRP is such that its own provisions serve to prevent it from achieving the objectives of a cheap and rapid arbitration process[28], further they prevent any possibility of fairness or consistency that a claimant could attain from a decision. The impact of these provisions is illustrated in the case law, notably in the case of Parisi[29]; which, although a US decision, illustrates the flaws in the UDRP process[30].

[22] Emerson, C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 174

[23] Such as the ability to file unlimited supplementary filings of unlimited length (Emerson C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 182-3

[24] The Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*' (1999) (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

[25] Resulting in a cautious approach in an attempt to not create domestic problems (The Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*') (1999) page 44 paragraph 133 (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

[26] "There has been, in consequence, in some quarters, a reluctance to abandon all possibilities of resort to litigation as a result of the adoption of new procedures, at least in the first stage before the experience of the new system" The Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*' (1999) page 44 para 133 (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

[27] Management of Internet Names and Addresses: Intellectual Property Issues '*Final Report of the Internet Domain Name Process*' (1999) (http://www.wipo.int/export/sites/www/amc/en/docs/report-final1.pdf)

[28] Emerson C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 175-176

[29] Parisi v Netlearning Inc., 139 F. Supp 2d 743 (ed. Va. 2001)

[30] Namely that the claimant would have been better served skipping UDRP and going straight to the courts for a remedy (Emerson C. D. '*Wasting Time in Cyberspace: The UDRP's Inefficient Approach Towards Arbitrating Domain Name Disputes on the Internet*' 34 U. Balt. L. Review 161 (2004) page 184)

Attention must now be given to the category of consumer protection in relation to the internet. This category shall be the focus of the next section of this essay, and shall be sub-divided into: economic consumer protection in both the domestic[31] and EU context, and specific EU legislation relating to data protection[32]. The former of which shall be dealt with first, in order to provide a backdrop under which to consider the latter.

The current state of consumer protection consists of various facets of domestic and EU law, the latter of which developed from humble beginnings as a form of indirect regulation through a series of 'soft law' initiatives[33]. This development was fuelled by a desire for greater harmonisation of national consumer policy laws[34] and was facilitated by the granting of EU legislative competence to consumer protection under the Maastricht Treaty[35], which has resulted in their current position as a patchwork series of directives[36]. Although "...embroidering the patchwork..."[37] was attempted, in the form of the Directive on Consumer Rights (2011/83)[38], the 2008 Draft upon which it is based is 'dead'[39], due to both academic disdain, and the lack of enthusiasm by member-states to embrace full harmonisation[40]. As a result, the ambitious goal of amending eight directives fell to only two[41],

[31] Which unfortunately revolves around the format of delivery of the software !!!!!!
[32] Such as the EU Consumer Directive 1999/44/EC (Eide, E. '*Is the Consumer Directive Advantageous for the Consumers*' Eur. J. Law Econ. Vol 28 Issue 3 page 291)
[33] Weatherill, S. '*EU Consumer law and Policy*' (2005) (Cheltenham: UK Northampton, MA : Edward Elgar) (Expanded ed) page 4
[34]Among other factors such as improving consistency in interpretation (Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1283)
[35] Weatherill, S. '*EU Consumer law and Policy*' (2005) (Cheltenham: UK Northampton, MA : Edward Elgar) (Expanded ed) page 15
[36]Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1283
[37] Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1283
[38]'Directive 2011/83/EU of the European Parliament and The Council on Consumer Rights...', Official Journal of The European Union (22/11/2011)
[39] Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1288
[40] Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1288

and full harmonisation was abandoned in lieu of '...*full targeted harmonisation*...'[42] Furthermore, article 3(2) serves to undermine the whole aim of the Directive by giving precedence to previous enacted Union Acts in the case of a conflict[43]. Despite these glaring problems, this directive retains a few notable Articles[44], for example; Article 6, which requires distance and off-premises sellers to provide key information to the consumer regarding the transaction[45]. Although criticisms have been levelled against it[46], it can be seen as fair and allowing more rights to the consumer.

Having established this generic position, this essay shall move onto the law relating to data protection.

One fundamental aspect of data protection; is the law relating to online behavioural advertising (OBA). OBA is facilitated by the use of cookies, and constitutes an organisation gathering an online footprint of websites which individuals visit[47]. This practice establishes a number of problems[48]. The EU has reacted to these problems with Directive 2009/136, the most significant provision of which is

---

[41] Namely Directives 85/577 and 97/7, with selective amendments to two others (Directive 93/13 and 1999/44) (Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1279)

[42] Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1286

[43] Article 3(2) Directive 2011/83/EU of the European Parliament and the council on Consumer Rights (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:304:0064:0088:EN:PDF)

[44] Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1292

[45] Including provision for digital products Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1293

[46] Such as the argument forwarded by Weatherill that: "...consumers readily and rationally choose not to absorb all information on offer" (Weatherill, S. '*The European Consumer Directive: How and Why a quest for "Coherence" has (Largely) Failed*' (2012) Common Law Market Review vol 49 page 1294)

[47] Which is then used to tailor advertisements seen by the individual according to their browsing history (Lynksey, O. '*Trak[ing] changes: An Examination of the EU Regulation of Online Behavioural Advertising Through a Data Protection Lens*' (2011) European Law Review Issue 36(6) page 875)

[48] Such as: the invasion of individuals' privacy, inaccurate profiling, profile disclosure, lack of transparency (Lynksey, O. '*Trak[ing] changes: An Examination of the EU Regulation of Online Behavioural Advertising Through a Data Protection Lens*' (2011) European Law Review Issue 36(6) pages 879 (first two) 880 and 881)

the creation of an opt-in scheme to cookies[49]. As outlined by Lynksey, this Directive deals with the problems, but does so in a way that is too onerous[50]. Despite this criticism, the aim of this essay must be adhered to, and although the problems can be dealt with in a less onerous or more effective way[51], the solution still introduces fairness in the form of a redressing of the balance towards the weaker-positioned consumer in online transactions. Furthermore, the requirement of opt-in illustrates a level of certainty that the law possesses, in its allowance of control to the consumer as to who may possess their browsing data.

[49]Lynksey, O. '*Trak[ing] changes: An Examination of the EU Regulation of Online Behavioural Advertising Through a Data Protection Lens*' (2011) European Law Review Issue 36(6) page 877

[50] In three of the four categories that Lynksey established to evaluate the effects of the Directive (Lynksey, O. '*Trak[ing] changes: An Examination of the EU Regulation of Online Behavioural Advertising Through a Data Protection Lens*' (2011) European Law Review Issue 36(6) page 885)

[51] Lynksey, O. '*Trak[ing] changes: An Examination of the EU Regulation of Online Behavioural Advertising Through a Data Protection Lens*' (2011) European Law Review Issue 36(6) page 885

In conclusion, it is evident that the internet has complicated the law relating to commerce immensely, by creating a global platform for economic transactions, with new and unregulated commercial practices. The regulation of these practices has generally failed to achieve the aims they sought, and in most cases have not provided certainty and fairness to users, although there are a few grains of success in several measures. A notable failure is that of the UDRP set up by ICANN, which is undermined by its own provisions; invalidating its purpose and providing neither fairness nor certainty. However, this is offset by the willingness of the courts to interpret the law in such a way as to find a remedy in the context of domain name disputes, as shown in the OIAM case; which illustrates the laws fairness and certainty. The position relating to consumer protection holds many similarities notably, the general economic protection provided has been too watered down, encompassing only two previous Directives and doing little to develop coherence in the patchwork of current laws, although fairness can be found. In contrast to this is the position of data protection under the E-Privacy Directive, the provisions of which grant fairness and certainty through the establishment of an opt-in to data collection techniques. Hence, it is clear that although some areas of internet commerce are successfully regulated, others are in dire need of reform.

Aberystwyth University Law and Criminology Student Journal (AULCSJ), 1st Edition published online by the Department of Law and Criminology, Aberystwyth University on behalf of the AULCSJ. August 2014. Article downloaded from http://www.aber.ac.uk/en/law-criminology/informationforcurrentstudents/studentactivities/auslcj/