

Cyberlaw

Course Supplement

Radim Polčák

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Radim Polčák (ed.)

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JEREMY BENTHAM: OF PROMULGATION OF THE LAWS AND PROMULGATION OF THE REASONS THEREOF

(This text was digitized by the Betham project of UCL London from Volume I of the 1843 Bowring edition of Bentham's works and is available together with other digitized texts at <http://www.ucl.ac.uk/Bentham-Project/>)

Section 1 - Promulgation of the Laws

Let us suppose the general code completed, and that the seal of the sovereign has been set to it. What remains to be done?

That a law may be obeyed, it is necessary that it should be known: that it may be known, it is necessary that it be promulgated. But to promulgate a law, it is not only necessary that it should be published with the sound of trumpet in the streets; not only that it should be read to the people; not only even that it should be printed: all these means may be good, but they may be all employed without accomplishing the essential object. They may possess more of the appearance than the reality of promulgation. To promulgate a law, is to present it to the minds of those who are to be governed by it in such manner as that they may have it habitually in their memories, and may possess every facility for consulting it, if they have any doubts respecting what it prescribes.

There are many methods of attaining this end: none of them ought to be neglected; but it has been too common to neglect them all. The forgetfulness of legislators in this respect has exceeded every thing which could have been imagined. I speak more particularly of modern legislators. We shall find models deserving of imitation in antiquity; and it is astonishing that the example which should have had the greatest weight among Christian nations, should have had scarcely any influence in this respect. They have borrowed from Moses, laws which possessed only a relative and local utility; but they have not imitated him in that which bears the noblest character of wisdom, and which is suited to all times and all places.

It is said by some naturalists, that the ostrich is among the most stupid of birds, inasmuch as it leaves its eggs in the sand, unmindful that the passing foot may crush them. If this were true, Bacon, who has converted into sources of wisdom so many of the ancient fables, might have turned it into an apologue; and the legislator who, after having framed his laws, abandons their promulgation to chance, and thinks that his task is finished when the most important of his duties has only begun, would have been represented by the ostrich.

It is true, that before laws can be promulgated, they must exist. That which is called tin written law, which consists of rules of jurisprudence, is a law which governs without existing. The learned may exercise their ingenuity in guessing at it; but the unlearned citizen can never know it. Were these rules to receive an authentic form, and to be promulgated, they would no longer be mere rules, but would become real laws. To render them such, has been one of the great objects of my plan; and the facility of promulgation has been one of the principal objects which I have had in view. It is with this view that I have divided the general code into particular codes, that they may be separated or collected together, according to the powers and wants of the individuals whom they respectively concern.

To promulgate the English laws as they exist at present; to pile the decisions of the judges upon the top of the statutes of parliament, would be chimerical: it would be to present the sea to those that thirst: it would do nothing for the mass of the people, who would not be able to comprehend them. A point, say the mathematicians, has no parts---so neither are there any parts in chaos.

If the laws be good, it is desirable that they should be known; if otherwise, the knowledge of them may be mischievous: for example, if you leave in your code bad coercive laws, persecuting laws, it is well that they remain undiscovered by informers. If your laws of procedure favour the impunity of crimes; if they afford means of eluding justice, of evading taxes, of cheating creditors, it is well that they remain unknown. But what other system of legislation besides this will gain by being unknown?

There are some laws which seem to have a natural notoriety: such are those which concern crimes against individuals; as theft, personal injuries, fraud, murder, &c. But this notoriety does not extend to the punishment, which, however, is the motive upon which the legislature relies for procuring obedience to the law. It does not extend even to those circumstances, often so delicate, which must be noticed before the line of demarcation can be traced among so many crimes differently punished, nor even to those actions which are either innocent or meritorious.

The dissemination of the laws ought to be regulated by the number of persons whom they concern. The universal code ought to be promulgated to all. The particular codes ought to be set before the classes to which they respectively refer. A road-book is useful, but it is of most use to those who are to be guided by its regulations, and who wish to travel.

The universal code of all secular books would be the most valuable, and almost the only one necessary for all; if not as a book of law, at least as a book of morals.

The sacred books command men to be honest: a good code would explain in what justice consists, and would exhibit in what manner it was possible to be unjust.

Probity, prudence, benevolence; these are the subjects of morality. The law ought, however, to include all that relates to probity; all that teaches men to live together without injuring each other.

There will then remain for morality, prudence and benevolence: but secure probity, and prudence will have fewer snares to escape, and will walk more securely: prevent men from injuring one another, and benevolence will have fewer sufferings to relieve.

Methods of Promulgating the Universal Code

Schools

It ought to be made the chief book; one of the first objects of instruction in all schools: it formed the foundation of instruction among the Hebrews; and tradition relates, that the Jewish kings were required to make a copy of the whole law with their own hands.

In those cases in which a certain degree of education is required as a pre-requisite to the enjoyment of a certain employment, the aspirant might be required to produce an exact copy of the code, written with his own hand, or translated into a foreign language.

The most important parts of it might be committed to memory, and repeated as a catechism: that, for example, which contains the definition of offences, and the reasons for their being ranged into classes.

In this manner, before sixteen years of age, without hindrance to any other studies, the pupils in public schools would become more conversant with the laws of their country, than those lawyers at present are, whose hair has grown grey in the contentions of the bar. The change would arise out of the nature of the laws themselves.

The pupils might translate the national code into the dead languages; they might translate them into the living languages; they might turn them into verse, the mother tongue of the laws.

“Teach your children”, said an ancient philosopher, “what they ought to know when they are men, and not what they ought to forget.” This philosopher would not have condemned the new study I propose.

Churches

Why should not the reading of the laws form, as it did among the Jews, a part of divine service? Would not the association of ideas be beneficial? Would it not be well to represent the supreme Being as the protector of the laws of property and security? Would it not add dignity to the ceremony, if the laws respecting parents and children were read upon the performance of baptism? and the laws respecting husbands and wives at the time of marriage?

This public reading in places of worship would be, as respects the most ignorant classes, a means of instruction, as little costly as it would be interesting; and the code would be unnecessarily voluminous, if it would not be possible to read it through many times in the year.

Different Places

The laws which only concern certain places; as markets, theatres, highways; ought to be fixed up in the places themselves, where it is desirable that they should be present to the minds of those who have to observe them. There are few men who would dare to violate a law, speaking as it were to all eyes, and addressing itself to all as to so many witnesses upon whom it would call to bear testimony against the evil doer.

Translations

If the nation which ought to obey the same laws is composed of different peoples, speaking different languages, it is proper that an authentic translation of the code should be made into each of these languages. It is also proper that it should be translated into the languages of the principal nations of Europe. The interests of these nations are so mingled, that they have all occasion to understand the law of the others. Besides, it would prevent a stranger from falling into those faults which he might otherwise commit through ignorance of the law, and also guard him from the snares which otherwise might be laid for him by abusing his ignorance. Hence would arise security for commerce, and confidence in transactions among foreign nations. It is a proceeding called for by candour and honesty.

Have you any thing contrary to the ordinances of the king? is the foolish and insidious question asked at many custom-houses of the stranger, who, perhaps for the first time, enters the kingdom. How should he know those ordinances? He might reply, does the king himself know them? My reply may constitute either a snare or an offence. Show me your ordinances in my own language, and then, if I deceive you, punish me.

Particular Codes

In taking up a condition, every citizen should be obliged to provide himself with the code which relates to that condition. The code, according to its extent, should be printed as a book, or on a sheet. In those cases in which the whole code cannot be printed on a sheet, an abridgement or index to it ought so to be. This sheet should be required to be stuck up in a fixed place, and its exhibition in this manner should be made a matter of police, as it respects shops, places of amusement, theatres, &c. The rogues would doubtless be disposed to throw a veil over so unwelcome a witness against them; in the same manner as certain devotees are reported to have done, when they wished not to be seen by their saints.

Laws concerning Contracts

There is one species of promulgation specially adapted to agreements among individuals and to wills. With regard to things of sufficient value, it might be required that they should be written upon stamped paper, which would bear upon its margin a notice of the laws concerning the transaction to which it referred. This plan is borrowed from English jurisprudence: but the instances in which it has been employed are very few, in comparison with those in which it has been neglected, and in which it would have been equally useful. I have gathered with carefulness this precious seed, that its cultivation may be extended.

Section 2 - Promulgation of Reasons.

For writing laws, it is enough to know how to write; for establishing them, it is only necessary to possess power. The difficulty consists in establishing good laws. Now good laws are those for which good reasons are assignable: but it is one thing to have established good laws justifiable by good reasons; another thing to have discovered those reasons, and to have presented them to view in the most advantageous light. A third problem, yet more difficult of solution, is to find a common base for all the laws; one unique and clear principle: to shew their harmony with it; to dispose them in the best order; to give them the greatest simplicity and the greatest clearness of which they are susceptible; to find an isolated reason for a law, is to do nothing. A comparative balance for and against is desirable, since we cannot rely with confidence upon a reason, unless we can be assured that there is nothing stronger to oppose to it in a contrary direction.

To the present time, reasons have been regarded as works of supererogation. We need not be astonished at this. Legislators have been hitherto directed upon the most important points by a species of instinct: they have felt an evil; they have confusedly sought for a remedy. Laws have been made nearly in the same manner as the first towns were built. To look for a plan among these heaps of ordinances, would be like searching for an order of architecture amidst the huts of a village. Will it be believed, that it has been laid down as a principle that a law ought only to bear a character of absolute authority? Lord Chancellor Bacon, the great restorer of learning, will not allow that reasons should be assigned, because it might lead to disputes concerning the law. He might, perhaps, have felt that the best reasons he could have given would have been found imperfect: he had no desire to satisfy the people; no inclination to take the pains necessary for satisfying them. Besides this, in his time the wisdom of kings scarcely differed from the divine: *stet pro ratione voluntas*, was their motto.

It must be acknowledged, that at the period at which Bacon lived, the notions respecting the principles of law were too imperfect to serve as the foundation of a reasonable system. He was more qualified than any one to expose the fallacy of the best reasons which could have been assigned for the greater part of the then existing laws; and therefore he might fear to expose them to a trial which they could not sustain. But this is no ground for fear, that laws founded upon reasons based in utility will be liable to be thus overthrown: when such a code shall have been accomplished, should all the lawyers in the world attack it with keenest appetites, what would be the result? They would be like vipers biting at a file.

There would have been many more codes supported by reasons, if those who have made the laws had believed themselves to be as superior in information to their fellow-men, as they felt themselves to be in power. Those who had felt themselves furnished with strength to enter upon the career, would not have renounced this more flattering part of their employment. If there had been no occasion to satisfy the people, they would have been desirous of satisfying themselves: they would have felt that it was not right to assume infallibility at the same moment that they renounced the guidance of reason. Those who are able to convince men, will treat them like men; those who only command, avow their inability to convince.

It is difficult, if not impossible, that the composition and sanction of a code of laws should proceed from the same hand. The situation in which a sovereign is placed, the kind of life to which he is accustomed, the duties he has to fulfil, absolutely exclude him from the knowledge of the details which such a work demands. Engaged in the labyrinths of jurisprudence, a Caesar, a Charlemagne, a Frederick, would appear no more than an ordinary man. It is therefore impossible that such a work should be the result of the personal knowledge of a sovereign. Suppose a perfect code framed, the sovereign who should recognise its merit, and give it his support, would rank above all other sovereigns. He would not, however, be considered the author of the reasons by which the code was attended: these would have proceeded from the hand which penned them. The compiler of the code and the sovereign would each have their parts to act before the public. "You tell me", might the latter say, "that the laws you have framed are only good and wise, and it is well: subject them to the proof." "Sire", might the compiler reply, "the laws which I have proposed are not the product of caprice; there is not a syllable which I have put there, for which there did not appear to me a good and conclusive reason; not a single regulation which did not appear to me the best that could be adopted under the present circumstances of your people. Permit me, then, to add my reasons throughout the whole of your code: by no other means can you be so completely assured of their merit, or I who have adopted or invented them, or the people who will have to obey them."

Besides, if the name of the sovereign has most influence upon the present generation, that of the compiler will have most with the generations to come. Power, whilst living, may ally itself with the reputation of wisdom; but this union is dissolved by death.

The veneration for great talents is increased when the foibles of the individual are forgotten, and when the dread of rivalry no longer exists. The veneration which thus attaches to the man of genius who is dead, will serve to protect his labours against precipitate change.

We proceed to consider, in greater detail, the different advantages which would result from a constant and sustained application of this method. An innovation always requires to be justified: an innovation which extends to the entire system of the laws, requires the strongest reasons for its justification.

We may observe, then, in general, that if the laws were constantly accompanied with a commentary of reasons, they would better fulfil the design of the legislator in all respects: they would be more pleasantly studied, more easily known, more constantly retained, and more cordially approved. All these desirable effects are intimately connected among themselves, and the attainment of either is one step towards obtaining the others.

If the study of the law is dry, it arises much less from the nature of the subject, than from the manner in which it has been treated. That which renders books of jurisprudence so dry and wearisome, is the confusion, the want of connection, the appearance of caprice, the difficulty of discovering any reason, and the barbarous nomenclature of the mass of incoherent and contradictory laws. Compilers have made their works an exercise of patience, and have addressed them only to the memory. The laws presented under this austere form appear only to require obedience, and never lay aside their severity. Let the laws be accompanied by justificatory reasons: this will shed a portion of interest over the laws themselves, and make the study of them agreeable. In reading the laws we shall then learn to think, and shall discover the solution of many enigmas which had previously been inexplicable to us: by this means we shall enlarge and strengthen our minds; we shall be admitted into the counsels, as it were, of the philosophers and sages who have framed the laws, and shall find, in their works, a manual of philosophy and morals. The truths developed in the laws are interesting: and when they shall thus have been clearly arranged, and their connection exhibited, this study will become interesting to the young, instead of repulsive even to those who are compelled to engage in it. When it shall be shown to be connected with reason and philosophy, and shall have been rendered easy of acquisition, it will even become a disgrace not to be acquainted with it.

This exposition of reasons will render the laws more easily understood. A rule, the reason of which is unknown, takes no hold upon the understanding: those things are best comprehended, of which we know the why and the wherefore. The terms of law may be clear and familiar: add to them the reason of the law, and the light is increased; no doubt rests upon the real intention of the legislator; the mind of the reader holds immediate communion with the mind of the author.

The more clearly the laws are understood, the more easily will they be retained. The reasons annexed will serve as a kind of technical memory: they will serve as a species of cement, by which to unite all those regulations which would otherwise appear as fragments and dispersed ruins.

The reasons themselves would serve as a kind of guide in those cases in which the law was unknown: it would be possible to judge beforehand what its regulations would be; and by knowing the principles of the legislator, to place oneself by imagination in his situation; to divine or conjecture his will in the same manner as we conjecture what would be the determination of a reasonable being with whom we had long lived, and with whose maxims we were well acquainted.

But the greatest advantage is that which results from conciliating the approbation of all minds, by satisfying the public judgment, and obtaining obedience to the laws; not from a passive principle of blind fear alone, but with the concurrence of the will also.

When the people are dreaded, reasons are sometimes offered to them. But this extraordinary method rarely succeeds, because it is extraordinary: the people suspect there is some intention to deceive; they are put upon their guard, and yield rather to their mistrust than to their judgment.

Without reasons, all laws may be condemned or defended with equal blindness. If we listen to innovators, the most salutary law will be designated as tyrannical. If we listen to a crowd of lawyers, the most absurd law, if its origin be unknown, will pass for wisdom itself.

Exhibit the reasons of the laws, and you disarm all cheats and fanatics; because thus you will give to all discussions respecting the laws a clear and determinate object. There is the law: there is the reason assigned for that law. Is it a good reason? is it bad? The question is reduced to this simple issue. But those who have studied the progress of political quarrels, know that the object of the heads of parties especially is to avoid this fatal shoal, this examination of utility: personalities, antiquity, law of nature, laws of nations, and a thousand other terms of this kind, have been invented as a means of preventing recourse to this short method of shortening and resolving controversies.

If the laws were founded upon reason, they would infuse themselves, so to speak, into the minds of the people: they would form part of the logic of the people; they would extend their influence over their moral nature: the code of public opinion would be formed by analogy upon the code of the laws, and by the agreement between the man and the citizen: obedience to the laws would come to be hardly distinguishable from the feeling of liberty.

The commentary of reasons would be of great utility in the application of the laws: it would be a compass for the judges and all government functionaries. The reason assigned would unceasingly direct back to the intention of the legislator, all those who wandered from it. A false interpretation would not square with this reason: unintentional errors would become almost impossible: prevarications could not be hidden: the whole course of the law would be enlightened, and the citizens would judge the judges.

In a point of view still more enlarged, the adoption of this plan is recommended by its influence upon the perfection of the law. The necessity of furnishing a sufficient reason for every law, would be a preservative against a blind routine on the one hand, and a restraint to every thing arbitrary on the other. If you are required to state your reason for each proposition, it will be necessary to think, instead of to copy; to possess clear ideas, and to admit nothing without proof. There will no longer be any opportunity for preserving in the laws fantastic distinctions, useless regulations, unnecessary restraints: inconsistencies

will become too prominent: the disproportion between good and evil will become too offensive. The most defective parts will continually tend towards amelioration upon the plan of the most perfect. Those parts which have attained the highest possible degree of perfection will never lose it: a good reason for their existence will always prove a safeguard, which will defend them against precipitate and capricious changes: a phalanx so strong will daunt the most audacious innovator. The strength of the reason will become the strength of the law: it will act as an anchor to prevent the vessel from being driven about by the force of the winds, or being insensibly drawn aside by the currents.

It may be said that the laws, and especially the most essential laws, are founded on such palpable truths, that it is unnecessary to prove them. The end of reasoning is conviction; but if complete conviction already exist, for what purpose employ reasoning to produce it?

There are truths which it is necessary to prove; not for their own sakes, because they are acknowledged, but that an opening may be made for the reception of other truths which depend upon them. It is necessary to demonstrate certain palpable truths, in order that others, which may depend upon them, may be adopted. It is in this manner we provide for the reception of first principles, which, once received, prepare the way for the admission of all other truths. All the world acknowledges that assassination is an evil action: its punishment ought to be severe: every body is agreed again. If it is necessary to analyze the mischievous effects of assassination, it will be necessary as a step towards bringing men to acknowledge the fitness of the law which distinguishes between different species of assassination, that it may only punish them according to their respective degrees of malignity; that those actions which bear the exterior characters of assassination, but do not produce its bitter fruits, may either not be punished, or only punished in a less degree: for example, suicide, duelling, infanticide, murder after violent provocation, &c.

In the same manner it is necessary to expose the evil of theft; not that men may be led to agree that theft is an evil, but that they may be led to acknowledge a multitude of other truths which, without this demonstration, would still be neglected. It is necessary that a variety of actions may be collected together under this head of crime, which have been hitherto neglected, and for detaching others which have no sufficient relation with crimes of this class: in a word, it is necessary for the purpose of collecting all the true and genuine species, and rejecting all the spurious, in order to establish the grounds for appointing different degrees of punishment.

Why should the laws of one state be unknown in every other? They have been thrown together at hazard, without connection, and without arrangement. There is no common measure among them. Without doubt, there are cases in which diversity of situation may demand diversity of legislation; but these cases call only exist in a few instances, and those much fewer than is usually imagined. In this respect, it will be proper to distinguish between an absolute and a temporary necessity: an absolute necessity is founded upon circumstances that cannot change; a temporary necessity is founded upon accidental circumstances, which may change.

If there be one method better calculated than another to bring nations more nearly together, this which I propose, of a system of laws founded upon reasons clearly announced, is one. The free communication of knowledge will propagate this system in all directions the instant it is created: such a system of legislation will prepare for itself a universal dominion.

Since philosophers have begun to compare the laws of different nations; when they have been able to divine any reason, to observe any relation of resemblance or of contrast, it has been a species of discovery. If legislators had been guided by the principle of utility, these researches would have been without an object: the laws derived from the same principle, tending towards the same object, would no longer present systems more ingenious than solid, in which we have to seek to find any reason at all; and in which, when any one fancy finds a reason for a law, he thinks the law is justified.

Montesquieu has often misled his readers: he employs all his mind, that is to say, a mind of the first order, in discovering, amid the chaos of laws, the reasons which may have influenced the legislators. He has been desirous of lending them a wisdom of intention in institutions the most contradictory and the most extravagant. But when we agree with him that he has discovered their true motives, at what conclusion do we arrive? They acted upon a reason; but was this a good reason? If it were good in some respects, was it the best reason? If they had made a law directly opposed to it, would they not have done better? Such is the examination which always remains to be made: such is the examination to which he scarcely ever descends.

The science of legislation, though it has made but little progress, is much more simple than one would be led to believe, after reading Montesquieu. The principle of utility directs all reasons to a single centre: the reasons which apply to the detail of arrangements are only subordinate views of utility.

In the civil law, reasons should be drawn from four sources; that is to say, from the four objects, according to which the legislator ought to regulate his conduct in the distribution of private laws: subsistence, abundance, equality, security.

In penal laws, the reasons should be drawn from the nature of the evil of offences, and from that of the remedies of which they are susceptible. These remedies are of four kinds: preventive remedies, suppressive remedies, satisfactive remedies, penal remedies.

In the law of procedure, the reasons should equally derive their source from the different ends which ought to be kept in view: correctness of judgment, quickness, and economy.

In financial law, the reasons should be drawn from two principal objects: saving in expense, in order to avoid the evil of constraint; choice of the tax, in order to avoid its accessory inconveniences.

There are some parts of the law in which the custom of assigning reasons has been followed to a certain point; in matters of police, of finance, and political economy. Their objects are modern: it has been necessary to create every thing, nothing relating to them being found in the ancient laws. What has been done, has been not only an invention, but a positive opposition to ancient usages and prejudices. Hence it has been necessary to combat them; it has been necessary that authority should justify itself. Such was the origin of those preambles to their laws, which procured so much credit to M. Turgot and M. Neckar.

But there are much more important branches of legislation, in which it has not been customary to assign any reasons: the civil code, the penal code, the code of procedure. If it has not been done, it is not that they have not dared to do it, but because they knew not how. Lawyers have among themselves a peculiar language, technical reasons, conventional fictions, a logic current at the bar: but they have an indistinct perception that the public will not receive it with the same complacency as themselves; that they will not be satisfied with the same jargon.

If the chancellors of kings had been such men as Turgot and Neckar, they, like them, would have felt more pride in giving their reasons than in making their edicts. In making laws, it is only necessary to occupy a certain position: in order to make a reasonable law, and to give reasons for it, it is requisite that the party be worthy of that position.

But an isolated reason is a mere trifle: the reasons for the laws, if they are good, are so connected, that unless they have been prepared for the whole body, they cannot with certainty be given for any part. Hence, in order to present in the most advantageous manner the reason for a single law, it is necessary that the plan of a system of reasons for all the laws should have been formed. It is necessary previously to have laid the foundation of a reasonable system of morality, to have analyzed the principle of utility, and to have separated it from the two false principles of sympathy and antipathy.

To give a reason for a law, is to show that it is conformable to the principle of utility.

In accordance with this principle, the repugnance which a certain action inspires is not a sufficient ground for its prohibition. Such a prohibition would only be founded upon the principle of antipathy.

The satisfaction which another action affords to us, is not a sufficient ground for a law authorising its performance. Such a law would be only founded upon the principle of sympathy.

The principal business of the laws, the only business which is evidently and incontestibly necessary, is the preventing of individuals from pursuing their own happiness, by the destruction of a greater portion of the happiness of others. To impose restraints upon the individual for his own welfare, is the business of education; the duty of the old towards the young; of the keeper towards the madman: it is rarely the duty of the legislator towards the people.

It is not a merely speculative idea which is thus recommended: a system of penal laws has been thus sketched out, and accompanied with a commentary of reasons, by which even the least important regulations are justified. I am so convinced of the necessity of this exposition of reasons, that I would not dispense with one of them at any price. To confide in what is called a feeling of justice, a feeling of truth, is a source of error. I have seen, upon a thousand occasions, that the greatest mistakes are concealed in all those feelings which are not brought to the touchstone of examination. If this feeling, this first guide, the avant courier of the mind, be correct, it will always be possible to translate it into the language of reason. Pains and pleasures, as I have repeatedly shown, are the only clear sources of ideas in morals. These ideas may be rendered familiar to all the world. The catechism of reasons is worthless, if it cannot be made the catechism of the people.

I add here, as an example of this theory, the first chapter of the Penal Code. I have not, however, given the whole of it, nor inserted all the forms and references which it ought to have, if it formed a part of the code itself. This species of precision would be superfluous here. This example may also serve as a recapitulation of this essay, by showing how its principles may be put in execution, and in what manner its theories may be carried into practice.

KREMEN ET AL. V. COHEN ET AL. 337 F.3D 1024 (9TH CIR. 2003)

Gary KREMEN, an individual, Plaintiff-Appellant, and
Online Classifieds, Inc., a Delaware Company, Plaintiff,

v.

Stephen Michael COHEN, an individual; Ocean Fund International Ltd., a foreign company; Sand Man Internacional Ltd., a foreign company; Sporting Houses Management Corporation, a Nevada company; Sporting Houses of America, a Nevada company; Sporting Houses General Inc., a Nevada company; William Douglas, Sir, an individual; VP Bank (BVI) Limited, a foreign company; Andrew Keuls, an individual; Montano Properties LLC, a California Limited Liability Company; Ynata Ltd., Defendants, and
Network Solutions, a Delaware Company, Defendant-Appellee.

No. 01-15899.

United States Court of Appeals, Ninth Circuit.

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1 James M. Wagstaffe, Pamela Urueta, Alex K. Grab, Kerr & Wagstaffe, Richard S. Diestel, Bledsoe, Catheart, Diestel, Livingston And Pedersen, San Francisco, CA, for Plaintiff-Appellant/Plaintiff.

2 Robert Selvidge, San Francisco, CA, W. Michael Mayock, Law Offices of W. Michael Mayock, Pasadena, CA, Robert S. Dorband, DuBoff, Dorband, Cushing & King, Portland, OR, David Henry Dolkas, Gray Cary Ware & Freidenrich, Palo Alto, CA, Robin Offner, Robin Offner & Associates, San Diego, CA, Kathryn E. Karcher, Gray Cary Ware & Freidenrich, San Diego, CA, for Defendant-Appellee/Defendant.

3 Brian E. Gray, Professor, Robin D. Gross, Electronic Frontier Foundation, San Francisco, CA, William H. Bode, William H Bode & Associates, Washington, DC, for Amicus.

4 Before: KOZINSKI, McKEOWN, Circuit Judges, and FITZGERALD, District Judge.¹

ORDER

5 We certify to the California Supreme Court the question set forth in Part II of this order. All further proceedings in this case are stayed pending final action by the California Supreme Court, and this case is withdrawn from submission until further order of this court.

6 * CAPTION AND COUNSEL

7 Gary Kremen is deemed the petitioner in this request because he appeals from the district court's adverse rulings on the issue certified. The caption of the case is:

8 GARY KREMEN, an individual, Plaintiff-Appellant, and

9 ONLINE CLASSIFIEDS, INC., a Delaware Company, Plaintiff,

10 v.

11 No. 01-15899 D.C. No. CV-98-20718-JW Northern District of California, San Jose STEPHEN MICHAEL COHEN, an individual; OCEAN FUND INTERNATIONAL LTD., a foreign company; SAND MAN INTERNACIONAL LTD., a foreign company; SPORTING HOUSES MANAGEMENT CORPORATION, a Nevada company; SPORTING HOUSES OF AMERICA, a Nevada company; SPORTING HOUSES GENERAL INC., a Nevada company; WILLIAM DOUGLAS, Sir, an individual; VP BANK (BVI) LIMITED, a foreign company; ANDREW KEULS, an individual; MONTANO PROPERTIES LLC, a California Limited Liability Company; YNATA LTD., Defendants, and

12 NETWORK SOLUTIONS, a Delaware company, Defendant-Appellee

13 The following is a list of counsel appearing in this matter:

Counsel for appellant Gary Kremen:

14 James M. Wagstaffe 100 Spear Street, Suite 1800 San Francisco, CA 94105 415-371-8500

15 Counsel for appellee Network Solutions, Inc.:

16 Kathryn E. Archer 401 B Street, Suite 2000 San Diego, CA 92101 619-699-4750

17 Other counsel appeared for the other-named parties in this appeal; those counsel are not listed here because the claims related to those parties were disposed of by separate disposition as set out in Part III of this order.

II

QUESTION CERTIFIED

18 Pursuant to Rule 29.5(a) of the California Rules of Court, we respectfully request the California Supreme Court to exercise its discretion to adjudicate a question of California law related to Internet domain names and the tort of conversion. This particular case centers on the domain name "sex.com." The decisions of the California appellate courts provide no controlling precedent regarding the certified question, the answer to which may be determinative of this appeal. We respectfully request that the California Supreme Court answer the certified question presented below. We acknowledge that your Court may decide to reformulate the question, and our phrasing of the issue is not intended to restrict your Court's consideration of the case. We agree to follow the answer provided by the California Supreme Court.

19 We invoke the certification process only after careful consideration and do not do so lightly. The certification procedure is reserved for state law questions that present significant issues, including those with important public policy ramifications, and that have not yet been resolved by the state courts. We request certification not because a difficult legal issue is presented but because of deference to the state court on significant state law matters.¹ We have noted, in reference to *Arizonans for Official English v. Arizona*,² 520 U.S. 43, 62, 76-79, 117 S.Ct. 1055, 137 L.Ed.2d 170 (1997), that "we have an obligation to consider whether novel state-law questions should be certified — and we have been admonished in the past for failing to do so." *Parents Involved in Community Schools v. Seattle School District*, 294 F.3d 1085, 1086 (9th Cir.2002) (certifying question despite parties' unanimous request not to certify) (oral arguments heard on certified question in Washington State Supreme Court on October 24, 2002).

20 Although we are quite capable of resolving the issue presented, we should not reach out to grab the question in the first instance simply because the case involves a novel and "sexy" issue. We are not, of course, unmindful of the burgeoning caseload of the California Supreme Court, and we recognize that the decision to accept certification lies solely within the discretion of your court. But it is not our role to pass advance judgment on the Court's priorities. We would not presume to certify a run-of-the mill case to your Court nor would we use the certification process to sidestep our diversity jurisdiction. In a case such as

this one that raises a new and substantial issue of state law in an arena that will have broad application, the spirit of comity and federalism cause us to seek certification. We accordingly invoke this procedure under the California Rules of Court.

The question of law to be answered is:

21 Is an Internet domain name within the scope of property subject to the tort of conversion?

22 (a) For the tort of conversion to apply to intangible property, is it necessary that the intangible property be merged with a document or other tangible medium?

23 (b) If the answer to Question (a) is "yes," does the tort of conversion apply to an Internet domain name, or, more specifically, is an Internet domain name merged with a document or other tangible medium?

III

STATEMENT OF FACTS

24 This action stems from Gary Kremen's ("Kremen") suit against Network Solutions, Inc. ("NSI") for the fraudulent transfer of his properly-registered Internet domain name, "sex.com," to a third party.

25 A short background regarding the Internet will assist in putting this case in context. The Internet has been described as "a vast system of interconnected computers and computer networks." See *Name. Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 576 n. 1 (2d Cir.2000). Each computer that is connected to the Internet has a unique Internet Protocol ("IP") number that functions as a kind of Internet address. *Id.* An IP number consists of four sets of numbers separated by periods. *Id.* at 576. Early Internet innovators created the Domain Name System ("DNS"), a system designed to relate easily-remembered domain names with difficult-to-remember IP numbers. Domain names are comprised of alphanumeric fields separated by dots — e.g., <www.courtinfo.ca.gov> — where the field farthest to the right (".gov" in the example) is the Top Level Domain ("TLD"). *Id.* at 577. The field second from the TLD is the Second Level Domain; and the field third from the TLD is the Third Level Domain. *Id.* Under a cooperative agreement entered into with the National Science Foundation ("NSF") on January 1, 1993, NSI became the exclusive registrar for various TLDs, including ".com". By accepting the role of registrar, NSI took "primary responsibility for ensuring the quality, timeliness and effective management of the registration services provided" under the agreement. The agreement expired on September 30, 1998; thereafter other entities have shared the role of domain name registrar. From April 1993 until September 1995, NSI provided its registration service to the public at no cost. During this period, NSF paid NSI a fixed fee and costs for registering domain names.

26 Under its agreement with NSF, NSI undertook responsibility to "compile and maintain an authoritative, reliable, and up-to-date database" of registered domain names in addition to the conversion tables that index registered domain names to IP numbers.

27 On May 9, 1994, Kremen registered the domain name "sex.com" with NSI. Kremen did so by filling out and electronically submitting a short registration form. No payment was necessary in order to effect the registration. Kremen registered sex.com under his d/b/a "Online Classifieds, Inc." ("OCI") and listed himself as the administrative and technical contact person. Kremen did not use the domain name for any significant purpose during the 18 months that it was registered to OCI.

28 In October 1995, NSI received a letter on OCI letterhead and putatively signed by OCI's president. The letter was addressed to Stephen Cohen ("Cohen") and purportedly authorized him to notify NSI on OCI's behalf that NSI should delete the sex.com domain name from its database, thereby terminating OCI's registration. The letter further stated that OCI had no objection to Cohen's registering sex.com in his own name.

29 Upon receipt of the letter, NSI deleted OCI's registration of sex.com and re-registered it to Sporting Houses Management, Inc., one of Cohen's alter ego corporations, with Cohen listed as the administrative contact. Cohen proceeded to use the sex.com domain name as a platform upon which to build a lucrative Internet-based pornography business. As it turned out, the so-called authorization letter was a forgery concocted by Cohen or at his behest. NSI claims that there was no evidence to question the authenticity of the letter, although Cohen disputes that characterization.

30 Approximately eight months after NSI registered sex.com in Cohen's name, Kremen demanded that NSI reinstate his registration of sex.com. NSI informed him that it would not do so absent a court order. In October 1998, Kremen brought suit against Cohen and NSI seeking injunctive relief and damages. Kremen alleged, among other things, that by honoring Cohen's fraudulent instruction to transfer the sex.com registration, NSI was liable in tort for conversion and as a bailee. Kremen also brought other state law claims that are not at issue in this certification request.

31 Judge Ware, of the District Court for the Northern District of California, granted summary judgment in favor of NSI, concluding that there was "no evidence establishing that a domain name, including sex.com, is 'merged in or identified with' a document or other tangible object.... Thus, under the traditional precepts governing the tort of conversion, a domain name is not protected intangible property." In the district court's view, extending the tort of conversion to include Internet domain names involves a complex policy question that is more appropriately the subject of legislation. The district court also expressed concern that because the tort is one of strict liability, extending the tort to include domain names would "essentially scrap any requirement of tangibility consistently associated with the tort," and, in its view, "there are methods better suited to regulate the vagaries of domain names." The court rejected the bailment claim on the basis that "NSI's mere registration of names does not convert its function to a bailee."

32 On Kremen's claims against Cohen regarding the transfer letter and the appropriated domain name, the district court found that the purported transfer letter was a forgery and that the transfer of the domain name was void and a nullity. The court restored registration of sex.com to Kremen, and rendered a judgment in favor of Kremen for \$65 million, a judgment that Kremen has had very limited success in enforcing due to Cohen's fugitive status.

33 On appeal to our court, Kremen argued, among other claims, that the district court erred in concluding that no cause of action for conversion or bailment exists against NSI for its unauthorized registration of sex.com to Cohen. Consideration of Kremen's claims against NSI are stayed pending this certification request. We resolved the remaining claims between Kremen and Cohen and related entities in an unpublished memorandum disposition in which we affirmed the district court's judgment in favor of Kremen. *Kremen v. Cohen*, 45 Fed.Appx. 746 (9th Cir.2002). Neither Cohen nor any of his related entities are parties to the remaining proceedings, including this certification request.

IV

STATEMENT OF REASONS FOR CERTIFICATION

34 We respectfully request that the California Supreme Court provide an authoritative answer to the certified question for the following reasons:

35 The certified question presents an issue of significant precedential and public policy importance. Although both California state courts and the federal courts have broadly considered conversion in connection with intellectual property, such as trade secrets, neither has specifically considered the state law tort of conversion in the context of an Internet domain name. With the growing ubiquity and importance of the Internet and the number of domain names increasing exponentially — there are now some 30 million domain names³ — clarity in the application of California state law to domain names presents an important question for resolution. The scope of state law claims relating to domain names

extends not only to the relationship between a domain name holder and a domain registrar, but also to the relationship between domain name holders and other third parties. Your Court has counseled that courts should be cautious in imposing new tort duties where novel legal claims implicate serious public policy considerations. *Moore v. The Regents of the Univ. of Cal.*, 51 Cal.3d 120, 142, 271 Cal.Rptr. 146, 793 P.2d 479 (1990) (noting, in holding that patient did not hold ownership interest in cells after they left his body, that "the novelty of Moore's claim demands express consideration of the policies to be served by extending liability rather than blind deference to a complaint alleging as a legal conclusion the existence of a cause of action") (citations omitted). We believe that regulation of the Internet under state law presents such considerations, and consequently that this issue should be addressed in the first instance by your Court.

36 Following is a discussion of the background regarding the tort of conversion, as well as a summary of the parties' arguments and the relevant case law with respect to the application of conversion to Internet domain names. Appropriately, this recitation does not take the form of an advocacy memorandum. Instead, our role as the requesting court is to provide the California Supreme Court with the relevant legal landscape. We reference only California cases because California law is at issue.⁴ Although we acknowledge that reasonable arguments exist on both sides of the issue, we do not advocate for a particular resolution to the question presented.

37 The parties do not dispute that domain names are a kind of property. This proposition appears to be consistent with California's broad definition of "property." See Cal. Civ.Code §§ 654 & 655 (property includes "all inanimate things which are capable of appropriation or of manual delivery"). The parties disagree, however, whether a domain name like *sex.com* is the kind of intangible property that can support a claim for conversion. At issue is whether such intangible property constitutes a sufficiently definite right and whether such intangible property must also be merged into a document or other writing.

38 Historically, the tort of conversion exclusively protected rights in tangible property. At least one commentator has called the tangibility requirement a "hoary limitation" without "valid and essential reason." Val D. Ricks, *The Conversion of Intangible Property: Bursting the Ancient Trover Bottle With New Wine*, 1991 BYU L.Rev. 1681, 1682 (1991) (quoting Prosser and Keeton on the Law of Torts 91-92 (W. Page Keeton, ed., 5th ed.1984)). California courts have, however, long extended the tort to certain forms of intangible property such as stocks, bonds, notes, recorded performances, and warehouse receipts. See, e.g., *A & M Records, Inc. v. Heilman*, 75 Cal.App.3d 554, 570, 142 Cal. Rptr. 390 (1977) (recorded performances); *Ralston v. The Bank of California*, 112 Cal. 208, 213, 44 P. 476 (1896) (stock and dividends); *Payne v. Elliot*, 54 Cal. 339, 341-42 (1880) (stock); see also 5 Witkin Summary Cal. Law (9th ed. 1988) Torts, § 613.

39 *Kremen* analogizes the domain name to a stock interest or warehouse receipt, thus putting the domain name firmly within the scope of property covered by the tort of conversion. NSI argues that the domain name, as a reference point in a computer database, does not rise to the level of a definite or certain property right.

40 In *Payne*, your Court stated that the tort "no longer exists as it did at common law, but has been developed into a remedy for the conversion of every species of personal property." 54 Cal. at 341. The question then arises as to the scope of coverage for intangible property. Years after *Payne*, the California Court of Appeals stated that the language in *Payne* was "too broad a statement as to the application of ... conversion." *Olschewski v. Hudson*, 87 Cal.App. 282, 288, 262 P. 43 (Cal.Ct.App.1927) (concluding that conversion exists only for "property which is specific enough to be identified, and not to such indefinite, intangible and uncertain property rights as the mere goodwill of a business, or trade secrets"). The fact that *Payne* has stood the test of time provides little comfort in this situation as the case does not answer the question at hand — namely, the application of *Payne* to an Internet domain name that is categorized as intangible property. This area would thus greatly benefit from certification by your Court.

Question (a):

41 An analysis of the scope of intangible rights requires answering whether the rights must be reflected in some documentary form.

The Restatement of Torts provides that

42 (1) Where there is conversion of a document in which intangible rights are merged, the damages include the value of such rights.

43 (2) One who effectively prevents the exercise of intangible rights of the kind customarily merged in a document is subject to a liability similar to that for conversion, even though the document is not itself converted.

44 Restatement (Second) of Torts § 242. At least one California Court of Appeal has favorably viewed the Restatement's approach. In *Thrifty-Tel, Inc. v. Bezenek*, 46 Cal.App.4th 1559, 1565, 54 Cal.Rptr.2d 468 (1996), the court suggested that tangible and intangible property may be treated differently for purposes of conversion.⁵ The application of the language in *Thrifty-Tel* is unclear, however, because the court decided not to answer the question of "[w]hether ... [an] intangible computer access code, which was never reduced to paper or reflected on a computer disk ... could be the subject[] of conversion." *Id.* at 1565-66, 54 Cal.Rptr.2d 468.

45 Two California Court of Appeals cases touch on the subject of documentary merger in connection with customer lists but do not address the issue presented in this certification. See *Kieberk Corp. v. Palm-Springs-La Quinta Dev. Co.*, 46 Cal. App.2d 234, 240, 115 P.2d 548 (Cal.Ct.App. 1941) (concluding that destroying "tangible personal property consisting of a cabinet of lead cards containing the names and valuable information regarding prospective and actual" customers was conversion); *Olschewski*, 87 Cal.App. at 286, 262 P. 43 (finding no cause of action in conversion "for the unlawful interference with a laundry route, or any similar property" because "there is nothing definite or tangible in the character of the ordinary list of laundry customers").

46 Thus, there do not appear to be any California cases squarely addressing whether the "merged with" requirement is a part of California law, nor have we been able to locate any cases from your Court indicating whether California follows the Restatement's approach.

Question (b):

47 If your Court determines that, for purposes of conversion, intangible property must be merged with or reflected in a document or something tangible, we will then have to address a secondary question: whether the tort of conversion applies to an Internet domain name.

48 California courts have recognized a cause of action for intangible goods that have been merged with various kinds of tangible media. See *Thrifty-Tel*, 46 Cal. App.4th at 1565, 54 Cal.Rptr.2d 468 (trade secrets on a floppy disk); *A & M Records*, 75 Cal.App.3d at 569-70, 142 Cal.Rptr. 390 (recordings); *Payne*, 54 Cal. at 341 (stock certificates). Nonetheless, we have been unable to locate any cases addressing whether a domain name is sufficiently merged with tangible media to give rise to a claim for conversion. Although the parties' briefs detail the intricacies of the DNS database and competing arguments as to the appropriate portion or registry at issue, we do not take any position at this juncture. The positions of the parties serve to juxtapose the argument on both sides.

49 According to Kremen, a domain name is a unique functional object that serves to access the corresponding IP address. Kremen argues that a domain name is merged with and identified with a document, namely the DNS database or a portion thereof. The DNS database is described as a decentralized but hierarchical database that correlates a domain name with the appropriate IP address.

America Online, Inc. v. Huang, 106 F.Supp.2d 848, 851-52 (E.D.Va.2000). Kremen characterizes the database as akin to a sophisticated compilation of several documents, albeit in electronic form. Kremen likens the embodiment of the domain name in the database to the right to possess property which is embodied by a warehouse receipt.

50 NSI counters that the DNS database is not like a warehouse receipt. Relying principally on the description in America Online, NSI notes that although the DNS matches domain names with IP numbers, "this simple description incorrectly suggests that the DNS is a central database to which other computers may refer, when the DNS is instead a decentralized, albeit hierarchal, process for correlating a domain name with the appropriate IP address." 106 F.Supp.2d at 851. NSI instead likens a domain name to a phone number or address, not the type of property subject to conversion. See Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980(9th Cir.1999) (characterizing NSI's registration and routing services as service rather than product). NSI relies on the fact that "there is no master directory of domain names and IP addresses to which a computer refers[;]" instead, "the domain database is distributed across the Internet, on a multitude of name servers, each responsible for correlating the IP addresses and domain names of computers with its particular `zone' of the domain name space." 106 F.Supp.2d at 852. NSI argues that the DNS, which consists of multiple servers distributed around the globe, does not qualify as the type of document necessary for embodiment.

51 Again, our development of tort law on this novel issue would benefit from your Court's elucidation of the proper treatment of domain names under California tort law. We advance no legal position on the competing arguments but simply offer a neutral characterization of the competing positions. The dissent's discussion of the details of the .com registry and Internet architecture provides a useful backdrop but only serves to highlight the merits of the question and goes beyond the judicial dialogue central to the certification process.

V

52 The clerk of this court shall forward a copy of this order, under official seal, to the California Supreme Court, along with copies of all briefs and excerpts of record that have been filed with this court. The parties shall notify the clerk of this court within 14 days of any decision by the California Supreme Court to accept or to decline certification. If the California Supreme Court accepts certification, the parties shall file a joint report six months after the date of acceptance and every six months thereafter advising us of the status of the proceedings. The parties shall notify the clerk of this court within 14 days of the issuance of an opinion by the California Supreme Court.

53 IT IS SO ORDERED.

54 KOZINSKI, Circuit Judge, dissenting.

55 When a federal court certifies a case to a state supreme court, it draws from a limited reservoir of comity. Certifying the case shifts the difficult work of deciding it to the state court, which is often so busy keeping its own house in order that it scarcely has time for our overflow laundry. Certification also burdens litigants, forcing them to reargue the case in a different forum — a process that is costly and full of delay. None of the parties or amici in our case has so much as hinted that we should certify; Kremen explicitly urged us not to, citing the many years already spent in litigation.

56 I am aware of the prevailing infatuation with this procedural device — the "sacred cow in our modern judicial barnyard." Bruce M. Selya, *Certified Madness: Ask a Silly Question ...*, 29 Suffolk U.L.Rev. 677, 678 (1995). But we have a duty to use it sparingly and sensibly; that a case raises difficult legal questions is not enough. See *L. Cohen & Co. v. Dun & Bradstreet, Inc.*, 629 F.Supp. 1419, 1423 (D.Conn.1986) (Cabranes, J.). Certification is justified only when the state supreme court has provided no authoritative guidance, other courts are in serious disarray and the question cries out for a definitive ruling.

57 These circumstances are not present here. We are perfectly capable of answering both questions ourselves, and there is no indication that courts are overrun with lawsuits raising the issue. Cyberspace will not implode if the supreme court confronts the majority's questions at some point in the future rather than today; the issues may well be sharpened by common law development in the meantime.¹

THE CERTIFIED QUESTIONS

58 By long common law tradition, those who give away the property of others do so at their peril.² This case is not about "regulation of the Internet under state law," as the majority believes, see Order at 1040. It's about general principles of tort law that happen to apply to the Internet because that's the type of property that NSI gave away. Kremen asks only that we afford him the same remedial rights that California law gives other property holders.³

59 The majority poses two questions. They are of middling difficulty at best; neither merits certification. The California Supreme Court long ago answered the first in Kremen's favor; that precedent alone resolves the dispute before us. The answer to the second question — which we don't even need to reach — is equally obvious.

I. Conversion of Intangibles

60 The majority's first question is whether, "[f]or the tort of conversion to apply to intangible property, [it is] necessary that the intangible property be merged with a document or other tangible medium." Order at 1038. The quaintness of the question, couched in language more reminiscent of postillions than POP servers, gives a pretty good clue that the majority is disinterring legal arcana long since laid to rest. Conversion originated in the fifteenth century as a remedy against one who found a plaintiff's lost goods and put them to his own use. See Prosser and Keeton on the Law of Torts § 15, at 89 (W. Page Keeton ed., 5th ed.1984); J.B. Ames, *The History of Trover*, 11 Harv. L.Rev. 277, 277 (1897). Because of this pedigree, the tort "became encrusted ... with legal rules that assumed that the property taken was tangible" — the sort of thing that one could "find in a field and later sell at a market." Val D. Ricks, *The Conversion of Intangible Property: Bursting the Ancient Trover Bottle with New Wine*, 1991 B.Y.U. L.Rev. 1681, 1685. This limitation was harmless enough when people's worldly goods consisted of livestock and farm tools, but today it's a relic.

61 Our first question, then, is whether California still clings to the dated distinction between tangibles and intangibles. Some states do, albeit with significant ad hoc exceptions to accommodate commercial reality. The Restatement extends conversion only to intangible rights "merged" in a document. Restatement (Second) of Torts § 242;⁴ see also cases cited in Ricks, *supra*, at 1689 n. 26. Many courts, however, have rejected this distinction altogether and extend conversion to intangibles without regard to the Restatement's test.⁵

62 The California Supreme Court made quick work of the question more than a century ago in *Payne v. Elliot*, 54 Cal. 339, 1880 WL 1907 (1880), and has not seen fit to revisit it. Defendants in *Payne* were trustees accused of appropriating plaintiff's securities. They argued for dismissal on the ground that plaintiff had alleged only conversion of the shares, not conversion of the share certificates. The court rejected the argument: "[T]he action no longer exists as it did at common law, but has been developed into a remedy for the conversion of every species of personal property." *Id.* at 341 (emphasis added). One can almost hear Justice McKee chortle at counsel's hapless argument as he elegantly disposes of this common law anachronism.

63 The majority today quotes this passage from *Payne* and ventures that "[t]he question then arises as to the scope of coverage for intangible property." Order at 1041. I would have thought this was precisely the question that *Payne* answered, and that its response was "every species." "Personal property," after all, is "[a]ny movable or intangible thing that is subject to ownership and not classified as real property." Black's

Law Dictionary 1233 (7th ed.1999) (emphasis added). Sex.com, we all agree, is property subject to ownership — namely, Kremen's. And, obviously, it's not real estate.⁶ Payne therefore squarely controls.

64 Courts applying California law have followed in Payne's tracks, recognizing conversion of intangible property without inquiring whether it was merged in a document. *A & M Records, Inc. v. Heilman*, 75 Cal.App.3d 554, 142 Cal.Rptr. 390 (1977), applied conversion to a defendant who sold unauthorized recordings, holding broadly that "such misappropriation and sale of the intangible property of another without authority from the owner is conversion." *Id.* at 570, 142 Cal.Rptr. 390. In *G.S. Rasmussen & Associates, Inc. v. Kalitta Flying Service, Inc.*, 958 F.2d 896 (9th Cir.1992), we relied on *A & M Records* and held that unauthorized use of someone else's regulatory approval is conversion — again without asking whether the right in question was merged in a document. *Id.* at 906-07. In *FMC Corp. v. Capital Cities/ABC, Inc.*, 915 F.2d 300 (7th Cir.1990), the Seventh Circuit, applying California law, explicitly rejected the tangible-intangible distinction. *Id.* at 302, 304-05. It quoted with approval Prosser and Keeton's observation that "there is perhaps no very valid and essential reason why there might not be conversion' of intangible property." *Id.* at 305 (quoting Prosser and Keeton on the Law of Torts, *supra*, § 15, at 92).

65 Most telling, however, is our own recent decision in *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir.2000). Not only did we recognize conversion of intangibles; we recognized conversion of the very intangible at issue here — a domain name. A majority of the panel held that conversion of a domain name is "tortious conduct" under California law. *Id.* at 1089 (Sneed & Trott, JJ., concurring). And, yet again, we made no reference to any requirement that the property be merged in a document. If this is an issue worth pestering the California Supreme Court about today, why didn't we certify it two years ago? Nothing has changed in California conversion law since then.

66 As the majority notes, Payne has not been universally followed. In *Olschewski v. Hudson*, 87 Cal.App. 282, 262 P. 43 (1927), California's intermediate appellate court declared (with remarkable audacity) that Payne didn't really mean what it said: that the "every species" language — the very ratio decidendi of the case — was "too broad a statement as to the application of the doctrine of conversion." *Id.* at 288, 262 P. 43. It adopted instead the Restatement-like rationale that stock is subject to conversion only because it is "represented by" tangible documents. *Id.* Another case, *Adkins v. Model Laundry Co.*, 92 Cal.App. 575, 268 P. 939 (1928), followed *Olschewski* on similar facts.

67 If *Olschewski* and *Adkins* had pointed to intervening cases where the California Supreme Court had retreated from Payne, they might give us pause. But they did nothing of the sort; they simply refused to apply controlling precedent by incorrectly labeling it dicta. We are bound by the pronouncement of the state's highest court unless there are convincing reasons to believe that it would no longer adhere to its earlier rationale. *Olschewski* and *Adkins* — like the majority in our case — offer nothing to suggest it would not. "Certification is inappropriate when ... the supreme court of a state has already ruled and its decision is unambiguous." *United States v. Pend Oreille Pub. Util. Dist. No. 1*, 926 F.2d 1502, 1506 n. 3 (9th Cir.1991); see also *Estate of Madsen v. Comm'r*, 659 F.2d 897, 901 (9th Cir.1981) (Norris, J., dissenting from certification order).

68 Searching for another reason to doubt Payne meant what it said, the majority invokes the Restatement. Our order implies that, unless a state explicitly disclaims the Restatement's rules, we'll assume that any deviations from that canonical text must have been an oversight. Poor Justice Brandeis, whose fifty state laboratories have been amalgamated into a single research park run by the American Law Institute.⁷

69 The majority identifies no convincing reason to believe that the California Supreme Court would overrule Payne. Speculation that a state supreme court might revisit a 123-year-old precedent and mail its tort jurisprudence back to the dark ages is not a ground for certification. If it were, we would certify nearly every diversity case we hear.

II. The "Merged in a Document" Test

70 None of this matters anyhow, because Kremen wins even under the Restatement. The majority's analysis on this point is lacking. It cites a handful of state decisions, observes that none involves a domain name and proclaims our interpretive faculties exhausted. This is not a frugal use of the privilege the California Supreme Court affords us. Certification is for resolving true uncertainties in state law; it presupposes that we've made a diligent effort to apply the traditional judicial tools of analogical reasoning.

71 Kremen can sue for conversion under the Restatement because his domain name is in fact merged in a document, and NSI frustrated his use of it. See Restatement (Second) of Torts § 242(2) ("One who effectively prevents the exercise of intangible rights of the kind customarily merged in a document is subject to liability"). His intangible property is (among other things) the right to have people who type "www.sex.com" into their web browsers sent to his website. It is, in standard Geek, the right to have the second-level .com domain "sex" associated with his IP address in NSI's .com registry.⁸ The majority doesn't dispute, nor could it, that NSI prevented Kremen's use of his property when it handed sex.com over to Cohen. The only question under the Restatement is whether Kremen's property is merged in NSI's .com registry.⁹

72 It most certainly is. NSI's registry is the master list that associates .com domains like "sex" with particular IP addresses. It's essentially a ledger with domains in one column and IP addresses in another. See Thomas, 176 F.3d at 505. The fact that the ledger is electronic rather than ink-and-paper doesn't make it any less a document (this dissent is still a document even if you're reading it online). See Thrifty-Tel, 46 Cal.App.4th at 1565, 54 Cal.Rptr.2d 468; cf. eBay, Inc. v. Bidder's Edge, Inc., 100 F.Supp.2d 1058, 1069 (N.D.Cal.2000). Web browsers determine what server is associated with a particular .com domain from the information in NSI's registry.¹⁰ Modify an IP address in the registry, and you change the server with which a domain is associated; someone expecting to find my web page will be sent to yours instead. It's hard to imagine an intangible right that's more closely merged in a document.

73 There are several analogues to NSI's .com registry in the case law, but the closest is a corporate share register. A share register qualifies as a document in which shares are merged. See Phansalkar v. Andersen Weinroth & Co., 175 F.Supp.2d 635, 641-42 (S.D.N.Y.2001) (deriving this point from Payne); cf. Payne, 54 Cal. at 342 ("[T]he certificate is only evidence of the property; and it is not the only evidence, for a transfer on the books of the corporation, without the issuance of a certificate, vests title in the shareholder: the certificate is, therefore, but additional evidence of title....").¹¹ The relationship between a share and a share register is quite similar to that between a .com domain and NSI's .com registry. Both documents are databases whose entries identify who gets the benefits of a particular intangible right — which shareholder gets dividends; whose computer gets Internet traffic.¹²

74 California courts have long held that a shareholder can sue a corporation for conversion if it wrongfully refuses to transfer title to shares on its books. Ralston v. Bank of Cal., 112 Cal. 208, 213, 44 P. 476 (1896). A corporation that actually gives away a shareholder's stock by wrongfully amending its share register is similarly liable. See 5 B.E. Witkin, Summary of California Law § 621, at 716 (9th ed.1988). An owner of a domain registry who wrongfully gives away a registrant's domain name is in precisely the same position.

75 Cases where a defendant is held liable for converting a document are also instructive. Plunkett-Jarrell Grocery Co. v. Terry, 222 Ark. 784, 263 S.W.2d 229 (1953), for example, cited with approval in the Restatement, see Restatement (Second) of Torts § 242 cmt. b & reporter's notes, involved a defendant who took the plaintiff's account book, preventing him from collecting his receivables. Plunkett-Jarrell Grocery Co., 263 S.W.2d at 233-34. The court allowed damages for the lost accounts, not merely for the paper they were recorded on. Id. at 234; see also Pioneer Commercial Funding Corp. v. United Airlines, Inc., 122 B.R. 871, 884-85 (S.D.N.Y.1991). Under the Restatement, an account receivable is thus merged in an account book. Kremen's domain name and NSI's .com registry are at least as closely related as an account receivable and an account book. In both cases, the document is merely a list of intangibles that's instrumental to enjoyment of the plaintiff's rights.¹³

76 One can imagine arguments against recognizing conversion of all intangibles, but none applies to domain names. Some intangibles are vaguely defined and may not give the defendant fair notice of the plaintiff's property right. See *Olschewski*, 87 Cal.App. at 288, 262 P. 43 (alluding to the need for "evidence of a definite interest"). But domain names, like corporate stock, are clear and discrete property rights. One who alters title to a registered domain name is fairly on notice that he may be affecting someone else's property.

77 A second difficulty arises when the property is a "nonexclusive" intangible like a trade secret, the theft of which does not actually prevent the plaintiff's use. See *Ricks*, supra, at 1705-07 & n. 100. But domain names are exclusive intangibles (again, just like corporate stock). A defendant who wrongfully takes a domain name deprives the plaintiff of its use entirely. Domain names are much more like corporate stock or accounts receivable than they are like customer goodwill or trade secrets — intangibles that many courts applying the Restatement have declined to protect, see Restatement (Second) of Torts § 242 cmt. f & reporter's notes.

78 These considerations merely reinforce a conclusion that the case law compels. We don't need the California Supreme Court to spell out the inevitable consequences of the state's jurisprudence every time a new species of property emerges. California law, even narrowly construed, recognizes conversion of property that shares all the relevant features of domain names. That's all we need to know to decide the case.

COMITY AND RESPONSIBILITY

79 Although the great majority of states — including all those in our circuit — now have certification procedures, California came to the process late. It adopted its rule less than five years ago, and only after endless carping from the bar. See, e.g., Jerome I. Braun, *A Certification Rule for California*, 36 Santa Clara L.Rev. 935 (1996). Even then, California adopted a rule much narrower than those of other states in our circuit. Other states permit certification from any federal court, but California accepts only questions certified by a court of appeals or the United States Supreme Court. Compare Cal. Rules of Court 29.5(a) with, e.g., Ariz. Sup.Ct. R. 27(a)(1). The California Supreme Court has also been more parsimonious in accepting certified questions. It's practically unheard of for a supreme court of another state to reject a certified question of our court.¹⁴ California, though, has rejected one-third of the cases we've certified to it since the rule went into effect. See Appendix tbl.1.

80 The California Supreme Court's evident ambivalence toward the certification process reflects the brutal realities of supervising the judiciary of the most populous state in the nation. Congestion in the California Supreme Court has been a fixture ever since the state was admitted to the Union. See Karl Manheim, *The Business of the California Supreme Court: A Comparative Study*, 26 Loy. L.A. L.Rev. 1085, 1092 (1993). The court delivers about 100 written opinions per year — twenty-five percent more than the United States Supreme Court, with two fewer justices. Compare Judicial Council of Cal., 2002 Annual Report: Court Statistics Report 9 tbl.6 [hereinafter *Court Statistics*] (103 opinions for 2000-2001), with Admin. Office of the U.S. Courts, 2001 Judicial Business 73 tbl.A-1 [hereinafter *Judicial Business*] (83 opinions for 2000-2001). Overall, the court disposes of some 9000 cases per year, up more than sixty percent from ten years ago, and once again more than the corresponding figure for the United States Supreme Court. Compare *Court Statistics*, supra, at 4 tbl.1 (9047 dispositions for 2000-2001, compared to 5466 for 1991-1992), with *Judicial Business*, supra, at 73 tbl.A-1 (7762 dispositions for 2000-2001).

81 The seven justices of the California Supreme Court sit atop a judiciary with approximately 100 justices in the courts of appeal and 2000 judicial officers in the superior courts. *Court Statistics*, supra, at 18 tbl.1 (96.8 justice full time equivalents); *id.* at 39 tbl.1 (1998.0 judge, commissioner and referee FTEs). By comparison, Washington, the next most populous state in our circuit, has a nine-member supreme court but only thirty judicial officers in the courts of appeals and only about 400 in the superior, district and municipal courts combined. See Washington Courts, at <http://www.courts.wa.gov/courts/> (last visited

Oct. 15, 2002) (court of appeals directories listing 22 judges and 8 commissioners); Superior Court 2001 Annual Caseload Report 31 tbl., at <http://www.courts.wa.gov/caseload/> (175 judges plus 49 commissioner FTEs); Courts of Limited Jurisdiction 2001 Annual Caseload Report 43 tbl., at <http://www.courts.wa.gov/caseload/> (151 judge FTEs plus 31 commissioner FTEs).

82 The California Supreme Court is further hamstrung by its mandatory death penalty jurisdiction; it reviews an automatic direct appeal from every case where a death sentence is imposed. See Court Statistics, *supra*, at 4 tbl.1. This is a daunting prospect, with California's death row now numbering 600 and still growing. See Gerald F. Uelmen, *Courtly Manners*, Cal. Law., July 2001, at 37, 74.15 As we know from our own experience, capital cases — often raising dozens of issues — are far more burdensome than most. The supreme court's death penalty docket has at times strained its ability to act as the "architect of California case law." Gerald F. Uelmen, *The Lucas Court: A First Year Report Card*, Cal. Law., June 1988, at 30, 31; see also Stephen R. Barnett, *California Justice*, 78 Cal. L.Rev. 247, 251 (1990) (book review).

83 Even if the California Supreme Court turned down our certification request, we would still have taken up a disproportionate amount of the court's time and attention. Our requests are doubtless given far closer scrutiny than the run-of-the-mill petition of an ordinary litigant. The supreme court has turned down a significant number of our certified cases, but this cannot have been an easy or pleasant task, and it would surely grant review if at all possible. We should avoid forcing the court to make the awkward choice between agreeing to answer a question that really doesn't deserve its attention and telling us we're out to lunch. In some instances, all reasonable minds will agree that the court's intervention is needed. But here, no party or amicus has suggested certification, and even our own panel is divided. We surely have a poor candidate for imposing on the California Supreme Court's goodwill.¹⁶

84 The crowded California docket also means that certification is a less efficient mechanism for ascertaining state law. The cases we send to the California Supreme Court are beset by the same delays that plague the rest of its caseload. The average length of time from certification order to decision is well over a year and a half. See Appendix tbl.1; cf. Stephen R. Barnett, *Un-Rocket Docket*, Cal. Law., May 2002, at 17, 17 (average time on docket for all non-death penalty cases of 543 days). This is approximately triple the national average computed by one comprehensive study from the 1980s. See Carroll Seron, *Certifying Questions of State Law: Experience of Federal Judges* 39 tbl.7 (Fed. Judicial Ctr., FJC Staff Paper 83-1, 1983) (six to seven months).¹⁷ One case was gone for more than two and a half years. See *Vu v. Prudential Prop. & Cas. Ins. Co.*, 172 F.3d 725 (9th Cir.1999), certified question answered, 26 Cal.4th 1142, 113 Cal.Rptr.2d 70, 33 P.3d 487 (2001), conformed to answer, 291 F.3d 603 (9th Cir.2002). None has taken less than 500 days. See Appendix tbl.1. Even to deny a certification request takes on average close to three months. See *id.* Given the unique pressures facing the California Supreme Court, these statistics are easy to understand. Delays are an unavoidable consequence of this cross-jurisdictional procedure, but they are far longer when the state court is already overburdened with its own work.

85 Certification burdens litigants, who foot the bill while their lawyers reargue the controversy in a different forum. The parties will now file briefs in the California Supreme Court, explaining why it should or should not accept the certification request. Cal. Rules of Court 29.5(e)(1). Next, they will reply to each other's briefs. *Id.* 29.5(e)(4). If the court accepts the request, the parties will file more briefs and replies, arguing the case on the merits. *Id.* 29.5(h)(1). Once the state supreme court sends the case back to us, the parties will no doubt want to argue some more over how we should interpret its response. These are the sorts of things that make lawyers rich but litigants understandably frustrated. The prospect is particularly troublesome in this case — Kremen has already spent the past four years in litigation trying to get compensation for the profits he lost because of Cohen's theft and NSI's alleged bungling.

86 This is a complex case, but not in a way that justifies certification. Whether NSI's .com registry is a document in which intangible property rights are merged is a hard technical question, not a hard legal one. It's a matter of coming up with the right analogy, and that has more to do with understanding how the Internet works than with state property law. The relevant facts are not genuinely disputed, but it takes

a close reading to reconcile the competing characterizations, and a familiarity with the underlying technology doesn't hurt. We're certifying this case to the California Supreme Court, not to the ghost of Jonathan Postel;¹⁸ as far as I know, the former has no unique expertise in the field of Internet architecture.

87 This case happens to be in federal court because the parties are from different states, but there is nothing inevitable about this party alignment. If the issue is as far-reaching as the majority believes, it will come up in state court soon enough. But I doubt the case really is that far-reaching. The facts date back to the Wild West days of domain name registration, when NSI had no written contracts with registrants. NSI changed that policy long ago. Domain name contracts are relevant because they provide for significant limits on liability and because they may affect the scope of the property right conferred. Future cases involving conversion of domain names will raise different questions. This decision will no doubt be relevant, but it won't be dispositive.

88 The California Supreme Court is always free to overrule any decision we render on the subject. It may even benefit from the insights we are able to offer, just as it benefits from prior consideration by state court judges. In this sense, we are just like another state court of appeal. We do California no favors by asking its supreme court to solve our problems while we stand mutely by.

Appendix

89 NOTE: APPENDIX IS ELECTRONICALLY NON-TRANSFERRABLE.

Notes:

1 The Honorable James M. Fitzgerald, Senior United States District Judge for the District of Alaska, sitting by designation

1 Certification "strengthens the primacy of the state supreme court in interpreting state law by giving it the first opportunity to rule on an undecided or unclear issue Allowing federal courts to defer to state courts in such cases reinforces the federal judiciary's acknowledgment of state sovereignty and fosters values of federalism and comity in a way beneficial to state interests." Jerome I. Braun, A Certification Rule for California, 36 Santa Clara L.Rev. 935, 940 (1996).

2 Although the Arizonans case involved a constitutional question, neither the California rule nor practice requires that the issue be a constitutional one. Indeed, the procedure is designed to let the California Supreme Court decide whether it wants to have the first crack at a significant state-law issue and the majority of certifications that your Court has accepted have not involved a constitutional question. See e.g., *Cadence Design Sys., Inc. v. Avant! Corp.*, 253 F.3d 1147 (9th Cir.2001) (trade secret question); *Marin Tug & Barge, Inc. v. Westport Petroleum, Inc.*, 238 F.3d 1159 (9th Cir.2001) (tort question); *Blue Ridge Ins. Co. v. Jacobsen*, 197 F.3d 1008 (9th Cir.1999) (insurance question); and *Asmus v. Pac. Bell*, 159 F.3d 422 (9th Cir.1998) (employment question).

3 See Mylene Mangalindan, *Renew It or Lose It: Companies Often Forget to Renew Their Domain Names*, Wall St. J. (July 15, 2002), available in 2002 WL-WSJ 3400519.

4 We recognize that cases from other jurisdictions may be instructive, but they are not controlling. Likewise, citation to Ninth Circuit cases interpreting California law does not provide a definite interpretation from a California court. See, e.g., *Bancroft & Masters, Inc. v. Augusta Nat'l, Inc.*, 223 F.3d 1082 (9th Cir.2002).

5 "Courts have traditionally refused to recognize as conversion the unauthorized taking of intangible interests that are not merged with, or reflected in, something tangible."

1 The majority draws encouragement from *Arizonans for Official English v. Arizona*, 520 U.S. 43, 117 S.Ct. 1055, 137 L.Ed.2d 170 (1997). But *Arizonans* was a very different case from ours. The state law there had just been passed by popular initiative and had never been interpreted by the state appellate courts; indeed, the plaintiffs had rushed into federal court in an obvious effort to avoid that possibility. *Id.* at 49, 63 n. 18, 117 S.Ct. 1055. The state attorney general had urged certification, which would have afforded the state courts an opportunity to address a sensitive issue of state policy and potentially could have avoided a federal constitutional question. *Id.* at 75-80, 117 S.Ct. 1055. Here, there is no federal constitutional question lurking in the background, and not even the parties themselves — much less the state attorney general — have urged certification.

2 Conversion is a strict liability tort, so NSI's negligence is not an issue. Nonetheless, NSI's claim that it had no reason to question the authenticity of Cohen's forged letter is too much to bear. Kremen originally registered *sex.com* to his d/b/a, Online Classifieds, Inc. (OCI), listing himself as the contact. The forged letter stated that OCI had fired Kremen and that its board of directors had "decided to abandon the domain name *sex.com*" to Cohen, giving no explanation whatsoever for this singular generosity. NSI received the letter not from OCI but as an enclosure sent by Cohen; the letter explained, "Because [OCI] do[es] not have a direct connection to the internet, we request that [Cohen] notify the internet registration [sic] on our behalf...." That a company called "Online Classifieds" would have no Internet connection is beyond implausible. Yet NSI made no effort to contact Kremen before giving away the domain name. It's a bit as if Judge Reinhardt sent a letter to the DMV saying, "Judge Kozinski wants you to transfer title to his Lamborghini to me — he'd write to you himself, but he's out of stamps."

3 The majority's citation to *Moore v. Regents of the University of California*, 51 Cal.3d 120, 271 Cal.Rptr. 146, 793 P.2d 479 (1990), thus misses the mark. *Moore* warned against "creat[ing] new tort duties," *id.* at 146, 271 Cal.Rptr. 146, 793 P.2d 479, but only after rejecting the plaintiff's claim under settled law, *id.* at 136, 271 Cal.Rptr. 146, 793 P.2d 479. Moreover, the issue in *Moore* was whether the plaintiff had a property right at all, not whether he could sue for conversion to enforce a property right he concededly held. *Id.* at 136-37, 271 Cal.Rptr. 146, 793 P.2d 479.

4 The Restatement provides:

(1) Where there is conversion of a document in which intangible rights are merged, the damages include the value of such rights.

(2) One who effectively prevents the exercise of intangible rights of the kind customarily merged in a document is subject to a liability similar to that for conversion, even though the document is not itself converted.

Restatement (Second) of Torts § 242.

5 See, e.g., *Grynberg Prod. Corp. v. British Gas, p.l.c.*, 817 F.Supp. 1338, 1348 (E.D.Tex.1993) (intangible contract rights); *Quincy Cablesystems, Inc. v. Sully's Bar, Inc.*, 650 F.Supp. 838, 848 (D.Mass.1986) (satellite TV signals); *Charter Hosp. of Mobile, Inc. v. Weinberg*, 558 So.2d 909, 910-12 (Ala.1990) (drug abuse treatment programs); *Nat'l Sur. Corp. v. Applied Sys., Inc.*, 418 So.2d 847, 850 (Ala. 1982) (software programs); *In re Estate of Corbin*, 391 So.2d 731, 732-33 & n. 1 (Fla.Dist.Ct. App.1980) (interests in a business venture, including goodwill); *Northeast Bank of Lewiston & Auburn v. Murphy*, 512 A.2d 344, 348 (Me.1986) (future rights to receive proceeds); *Foremost Ins. Co. v. Allstate Ins. Co.*, 439 Mich. 378, 486 N.W.2d 600, 610 n. 3 (1992) (intangible lien interests); *Miracle Boot Puller Co. v. Plastray Corp.*, 57 Mich.App. 443, 225 N.W.2d 800, 804 (1975) (patent rights), *rev'd* on other grounds after remand, 84 Mich.App. 118, 269 N.W.2d 496 (1978); *Schnucks Twenty-Five, Inc. v. Bettendorf*, 595 S.W.2d 279, 284-85 (Mo.Ct.App.1979) (trade names); *Brown v. Meyer*, 580 S.W.2d 533, 534 (Mo.Ct. App.1979) (exclusive newspaper distribution areas); *Benaquista v. Hardesty & Assocs.*, 20 Pa. D. & C.2d 227, 229, 1960 WL 8370 (1959) (intellectual property); *Evans v. Am. Stores Co.*, 3 Pa. D. & C.2d 160, 161, 1955 WL 5263 (1955)

(intangible ideas); see also *United States v. Drebin*, 557 F.2d 1316, 1332 (9th Cir.1977) (holding that "conversion" under 18 U.S.C. § 2314 applies to intangibles).

6 Reports to the contrary notwithstanding See, e.g., Shannon Lafferty, *Legal Battle for Sex.com Continues in Calif.*, *Legal Intelligencer*, Feb. 1, 2001, at 4 ("the most valuable piece of real estate on the Internet").

7 *Thrifty-Tel, Inc. v. Bezenek*, 46 Cal.App.4th 1559, 54 Cal.Rptr.2d 468 (1996), did not "favorably view[]" the Restatement's approach, cf. Order at 1042; it explicitly left the issue unresolved. *Thrifty-Tel*, 46 Cal.App.4th at 1565-66, 54 Cal.Rptr.2d 468.

8 The majority's order describes the basic function of the Domain Name System and the fact that it associates domain names with IP addresses — sets of numbers that uniquely identify each computer connected to the Internet See Order at 1038-39. But it omits any discussion of how the DNS actually works beyond the observation that it is a "decentralized, albeit hierarchical, process." Id. at 20 (quoting *Am. Online, Inc. v. Huang*, 106 F.Supp.2d 848, 851 (E.D.Va.2000)). The majority's failure to analyze the DNS and the role that NSI's .com registry plays within it helps explain why it can't detect a document in this case.

NSI's .com registry, also known as the ".com zone file," associates particular second-level .com domains like "sex" with particular IP addresses. If a browser wants to find the website "www.sex.com," it goes through the following steps: It first looks in a "root" registry to find out who has the list of .com addresses — and that root registry says "NSI." It then looks in NSI's .com registry to find out who has the list of sex.com addresses — that registry (now) says "Gary Kremen." Finally, it looks in Gary Kremen's sex.com registry to find out where the website www. sex.com is located. (These registries don't literally say "NSI" and "Gary Kremen"; they list the IP addresses of their computers. But it's the same idea.) Thus, while the DNS as a whole is a "decentralized, albeit hierarchical, process," NSI's .com registry is not — it's just a list of second-level .com domains and corresponding IP addresses; a document in any relevant sense of the word. See generally Brief of Amicus Curiae Electronic Frontier Foundation at 6-8; *Thomas v. Network Solutions, Inc.*, 176 F.3d 500, 503-04 (D.C.Cir. 1999); *Improvement of Technical Management of Internet Names and Addresses*, 63 Fed.Reg. 8826, 8826 (Feb. 20, 1998); Milton L. Mueller, *Ruling the Root: Internet Governance and the Taming of Cyberspace* 41-43, 46 fig.3.5, 194-96 (2002); *InterNIC FAQs: The Domain Name System* (Mar. 25, 2002), at <http://www.internic.net/faqs/authoritative-dns.html>.

9 The majority bases almost its entire discussion on the mistaken assumption that the relevant document is the decentralized DNS as a whole. Order at 1042-43. The only part of the DNS at issue here is NSI's registry of .com domains — the .com zone file. NSI's claim that "there is no master directory of domain names and IP addresses to which a computer refers" is true but irrelevant. Other registries list the second-level domains in .gov, .mil, .edu and the like; still others list the third-level domains within each second-level .com domain. But NSI's registry of second-level .com domains is the only piece of the DNS that matters in this case because Kremen's entry in this particular registry is what NSI gave away. NSI's .com registry, not the DNS as a whole, is the document in which Kremen's property is merged

10 NSI's .com registry isn't actually consulted directly on every query, because other servers copy and store its information in order to speed up response times. If a browser wants to know an IP address, it may get it from a nearby server that previously copied the information from NSI See *Thomas*, 176 F.3d at 503-04; *Mueller*, supra, at 48; *InterNIC FAQs*, supra. The fact that other servers copy information in NSI's registry for ease of reference, however, doesn't change the fact that NSI's registry is the authoritative listing of .com domains. *Thomas*, 176 F.3d at 505; 63 Fed.Reg. at 8828; *Mueller*, supra, at 196. When NSI changes an entry in its registry, other servers all over the world copy the updated information, typically within 24-48 hours. See *Modifying Your Domain Name Record* (2002), at http://www.netsol.com/en_US/help/modify-dnr-06.jhtml.

11 *Payne* did not so hold, of course; it imposed no merger requirement at all. It held that share registers and share certificates have the same evidentiary function. See *Payne*, 54 Cal. at 342. But the corollary for

states that do follow the merger requirement is that these equivalent evidentiary functions imply an equivalent ability to satisfy the merger requirement — which is precisely what Phansalkar held, 175 F.Supp.2d at 641-42. Courts routinely recognize conversion of uncertificated shares. See, e.g., *Haskell v. Middle States Petroleum Corp.*, 165 A. 562, 563 (Del.Super.Ct.1933); *Connelly v. Estate of Dooley*, 96 Ill.App.3d 1077, 52 Ill.Dec. 462, 422 N.E.2d 143, 147 (1981); *Mahaney v. Walsh*, 16 A.D. 601, 605-06, 44 N.Y.S. 969 (N.Y.App.Div.1897). Uncertificated shares by definition are not "customarily merged in" share certificates; the merging document must be something else — for example, the share register, see Phansalkar, 175 F.Supp.2d at 642.

12 A share register identifies the person who owns the shares, while the .com zone file only identifies the address of the owner's computer. Even if this difference mattered — which seems hard to believe — domain names are explicitly linked to their owners in another document, the "WHOIS database" maintained by the registrar (also NSI in this case). Kremen's WHOIS record for sex.com, for example, can be retrieved by typing "sex.com" into the web interface of NSI's WHOIS server, currently located at <http://www.netsol.com/cgi-bin/whois/whois>. NSI's WHOIS database seems to be yet another document in which Kremen's property is merged

13 In our case, the document itself wasn't converted; the .com zone file remained in NSI's hands throughout. But that means only that Kremen's claim sounds in section 242(2) of the Restatement rather than section 242(1). Compare Restatement (Second) of Torts § 242(2) ("One who effectively prevents the exercise of intangible rights of the kind customarily merged in a document is subject to liability...."), with id. § 242(1) ("Where there is conversion of a document in which intangible rights are merged, the damages include the value of such rights."). "Merged" surely can't mean one thing in one section and something else in the other.

14 Even when it's painfully obvious that we asked the wrong question See, e.g., *Scheehle v. Justices of the Supreme Court*, 203 Ariz. 520, 57 P.3d 379 (2002).

15 The only reason that the court's death penalty docket is at all manageable, apparently, is a parallel shortage of appointed counsel. Uelmen, *Courtly Manners*, supra, at 74.

16 The majority declines to consider the burden we impose on the state supreme court when we force it to rule on our certification requests, opining that "it is not our role to pass advance judgment on the Court's priorities." Order at 1038. By that logic, we would certify every case on our diversity docket — and every Federal Tort Claims Act case too — so that the state supreme court could have first crack at the state law issues presented. Surely, exercising some judgment about the productive use of the state court's time and resources, not to mention those of the parties, is part of our responsibility in deciding whether to certify

California's rule, moreover, requires that the certification order be signed by the presiding judge, making no allowance for a situation, like ours, where the presiding judge is in dissent. Cal. Rules of Court 29.5(d). This has led to the odd situation where I find myself dissenting from an order that bears my signature. Cf. *Crocker Nat'l Bank v. Clark Equip. Credit Corp.*, 724 F.2d 696, 700 n. 3 (8th Cir.1984) (Lay, C.J.) ("As author of this opinion, I dissent..."). The drafters of California's certification rule obviously did not anticipate that the presiding judge would dissent, which means they contemplated cases would only be certified when all panel members agree.

17 Turnaround times for the next two largest states in our circuit are shorter. Washington typically returns cases to us in about nine months; Arizona usually takes about a year

18 Nor to Al Gore, for that matter

JOHN PERRY BARLOW: A DECLARATION OF THE INDEPENDENCE OF CYBERSPACE

Date: Fri, 9 Feb 1996 17:16:35 +0100

To: barlow@eff.org

From: John Perry Barlow <barlow@eff.org>

Subject: A Cyberspace Independence Declaration

Yesterday, that great invertebrate in the White House signed into the law the Telecom "Reform" Act of 1996, while Tipper Gore took digital photographs of the proceedings to be included in a book called "24 Hours in Cyberspace."

I had also been asked to participate in the creation of this book by writing something appropriate to the moment. Given the atrocity that this legislation would seek to inflict on the Net, I decided it was as good a time as any to dump some tea in the virtual harbor.

After all, the Telecom "Reform" Act, passed in the Senate with only 5 dissenting votes, makes it unlawful, and punishable by a \$250,000 to say "shit" online. Or, for that matter, to say any of the other 7 dirty words prohibited in broadcast media. Or to discuss abortion openly. Or to talk about any bodily function in any but the most clinical terms.

It attempts to place more restrictive constraints on the conversation in Cyberspace than presently exist in the Senate cafeteria, where I have dined and heard colorful indecencies spoken by United States senators on every occasion I did.

This bill was enacted upon us by people who haven't the slightest idea who we are or where our conversation is being conducted. It is, as my good friend and Wired Editor Louis Rossetto put it, as though "the illiterate could tell you what to read."

Well, fuck them.

Or, more to the point, let us now take our leave of them. They have declared war on Cyberspace. Let us show them how cunning, baffling, and powerful we can be in our own defense.

I have written something (with characteristic grandiosity) that I hope will become one of many means to this end. If you find it useful, I hope you will pass it on as widely as possible. You can leave my name off it if you like, because I don't care about the credit. I really don't.

But I do hope this cry will echo across Cyberspace, changing and growing and self-replicating, until it becomes a great shout equal to the idiocy they have just inflicted upon us.

I give you...

A Declaration of the Independence of Cyberspace

Governments of the Industrial World, you weary giants of flesh and steel, I come from Cyberspace, the new home of Mind. On behalf of the future, I ask you of the past to leave us alone. You are not welcome among us. You have no sovereignty where we gather.

We have no elected government, nor are we likely to have one, so I address you with no greater authority than that with which liberty itself always speaks. I declare the global social space we are building to be

naturally independent of the tyrannies you seek to impose on us. You have no moral right to rule us nor do you possess any methods of enforcement we have true reason to fear.

Governments derive their just powers from the consent of the governed. You have neither solicited nor received ours. We did not invite you. You do not know us, nor do you know our world. Cyberspace does not lie within your borders. Do not think that you can build it, as though it were a public construction project. You cannot. It is an act of nature and it grows itself through our collective actions.

You have not engaged in our great and gathering conversation, nor did you create the wealth of our marketplaces. You do not know our culture, our ethics, or the unwritten codes that already provide our society more order than could be obtained by any of your impositions.

You claim there are problems among us that you need to solve. You use this claim as an excuse to invade our precincts. Many of these problems don't exist. Where there are real conflicts, where there are wrongs, we will identify them and address them by our means. We are forming our own Social Contract . This governance will arise according to the conditions of our world, not yours. Our world is different.

Cyberspace consists of transactions, relationships, and thought itself, arrayed like a standing wave in the web of our communications. Ours is a world that is both everywhere and nowhere, but it is not where bodies live.

We are creating a world that all may enter without privilege or prejudice accorded by race, economic power, military force, or station of birth.

We are creating a world where anyone, anywhere may express his or her beliefs, no matter how singular, without fear of being coerced into silence or conformity.

Your legal concepts of property, expression, identity, movement, and context do not apply to us. They are based on matter, There is no matter here.

Our identities have no bodies, so, unlike you, we cannot obtain order by physical coercion. We believe that from ethics, enlightened self-interest, and the commonweal, our governance will emerge . Our identities may be distributed across many of your jurisdictions. The only law that all our constituent cultures would generally recognize is the Golden Rule. We hope we will be able to build our particular solutions on that basis. But we cannot accept the solutions you are attempting to impose.

In the United States, you have today created a law, the Telecommunications Reform Act, which repudiates your own Constitution and insults the dreams of Jefferson, Washington, Mill, Madison, DeToqueville, and Brandeis. These dreams must now be born anew in us.

You are terrified of your own children, since they are natives in a world where you will always be immigrants. Because you fear them, you entrust your bureaucracies with the parental responsibilities you are too cowardly to confront yourselves. In our world, all the sentiments and expressions of humanity, from the debasing to the angelic, are parts of a seamless whole, the global conversation of bits. We cannot separate the air that chokes from the air upon which wings beat.

In China, Germany, France, Russia, Singapore, Italy and the United States, you are trying to ward off the virus of liberty by erecting guard posts at the frontiers of Cyberspace. These may keep out the contagion for a small time, but they will not work in a world that will soon be blanketed in bit-bearing media.

Your increasingly obsolete information industries would perpetuate themselves by proposing laws, in America and elsewhere, that claim to own speech itself throughout the world. These laws would declare ideas to be another industrial product, no more noble than pig iron. In our world, whatever the human mind may create can be reproduced and distributed infinitely at no cost. The global conveyance of thought no longer requires your factories to accomplish.

These increasingly hostile and colonial measures place us in the same position as those previous lovers of freedom and self-determination who had to reject the authorities of distant, uninformed powers. We must declare our virtual selves immune to your sovereignty, even as we continue to consent to your rule over our bodies. We will spread ourselves across the Planet so that no one can arrest our thoughts.

We will create a civilization of the Mind in Cyberspace. May it be more humane and fair than the world your governments have made before.

Davos, Switzerland

February 8, 1996

John Perry Barlow, Cognitive Dissident

Co-Founder, Electronic Frontier Foundation

Home(stead) Page: <http://www.eff.org/~barlow>

Message Service: 800/634-3542

Barlow in Meatspace Today (until Feb 12): Cannes, France

Hotel Martinez: (33) 92 98 73 00, Fax: (33) 93 39 67 82

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In Memoriam, Dr. Cynthia Horner and Jerry Garcia

It is error alone which needs the support of government. Truth can stand by itself.

--Thomas Jefferson, Notes on Virginia

PEOPLE V. WORLD INTERACTIVE GAMING CORP., ET AL. 1999 N.Y. MISC. LEXIS 425
(SUP. CT. N.Y.CO., JULY 24, 1999)

SUPREME COURT OF THE STATE OF NEW YORK

COUNTY OF NEW YORK: COMMERCIAL PART 53

THE PEOPLE OF THE STATE OF NEW YORK

By DENNIS C. VACCO, Attorney General of the State of New York

Petitioner,

-against-

WORLD INTERACTIVE GAMING CORPORATION, GOLDEN CHIPS CASINO, INC., JEFFREY BURTON a/k/a JIM STEVENS, CYNTHIA BURTON, LAWRENCE BLOCKER a/k/a STEVEN SANDERS, individually and d/b/a JAMES LAWRENCE & ASSOCIATES, GREGORY FLEMMING, SR., a/k/a GREG JOHNSON, individually and d/b/a MALLORY ENTERPRISES, INC., GERALD VARLAND a/k/a JERRY VARLAND, INC., and HOWARD TOOMER, Individually and d/b/a H.E. TOOMER & ASSOCIATES.

Respondents.

Index No. 404428/98

CHARLES EDWARD RAMOS, J.S.C.:

This proceeding is brought by the Attorney General of the State of New York (the "Attorney General" or the "State of New York"), pursuant to New York's Executive Law \square 63(12) and General Business Law Article 23-A, to enjoin the respondents, World Interactive Gaming Corporation ("WIGC"), Golden Chips Casino, Inc. ("GCC"), and their principals, officers, and directors from operating within or offering to residents of the State of New York State gambling over the Internet. The State also seeks to enjoin respondents from selling unregistered securities in violation of New York State's General Business Law \square 352 (also known as "The Martin Act").

The central issue here is whether the State of New York can enjoin a foreign corporation legally licensed to operate a casino offshore from offering gambling to Internet users in New York. At issue is section 9(1), Article 1 of the New York State Constitution which contains an express prohibition against any kind of gambling not authorized by the state legislature. The prohibition represents a deep-rooted policy of the state against unauthorized gambling (*Intercontinental Hotel Corp. v. Golden*, 18 AD2d 45 [1st Dept 1963]; *revd on other grounds*, 15 NY2d 9 [1964]).

WIGC is a Delaware corporation that maintains corporate offices in New York. WIGC wholly owns GCC, an Antiguan subsidiary corporation which acquired a license from the government of Antigua to operate a land-based casino. Through contracts executed by WIGC, GCC developed interactive software, and purchased computer servers which were installed in Antigua to allow users around the world to gamble from their home computers. GCC promoted its casino at its website, advertised on the Internet and in a national gambling magazine. The promotion was targeted nationally and was viewed by New York residents.

In February 1998, the Attorney General commenced an investigation into the practices of WIGC. The investigation was prompted by an inquiry from the Texas State Securities Board which informed the Attorney General that WIGC was making unsolicited telephone calls to the public and disseminating

offering materials for WIGC's securities. The petition alleges that respondents were attempting to sell what they termed a "private subscription offering," which consisted of 700,000 shares of "convertible preferred stock" at a price of \$5.00 per share. The respondent's primary method of selling units of WIGC stock involved cold-calling prospective investors. The prospective investors were located throughout the United State, including New York. Respondents do not dispute that the calls originated from WIGC's headquarters in Bohemia, New York. At no time was this offering or the cold-callers registered with New York state as required by law.

During telephone solicitation, respondents claimed that investors would earn twenty percent (20%) annual dividend on their investment, twenty-five percent (25%) profit sharing and an initial public offering ("IPO") of WIGC's stock, which would likely take place within one year. Respondents also compared WIGC's projected stock price and earnings to that of land-based casinos. Respondents represented the profit margins of other Internet casinos at around eighty to eighty-five percent (80-85%). Respondents told investors that WIGC would earn an estimate of up to \$100,000.00 in revenue during the first year. Respondents claimed that the investment was conservative.

Together, respondents sold approximately \$1,843,665.00 worth of shares to approximately 114 investors throughout the country, including approximately \$125,000.00 worth of shares to 10 New York state residents.

In June 1998, the Attorney General furthered its investigation by logging onto respondents' website, downloading the gambling software, and in July 1998, placed the first of several bets. Users who wished to gamble in the GCC Internet casino were directed to wire money to open a bank account in Antigua and download additional software from GCC's website. In opening an account, users were asked to enter their permanent address. A user which submitted a permanent address in a state that permitted land-based gambling, such as Nevada, was granted permission to gamble. Although a user which entered a state such as New York, which does not permit land-based gambling, was denied permission to gamble, because the software does not verify the user's actual location, a user initially denied access, could easily circumvent the denial by changing the state entered to that of Nevada, while remaining physically in New York State. The user could then log onto the GCC casino and play virtual slots, blackjack or roulette. This raises the question if this constitutes a good faith effort not to engage in gambling in New York.

The Attorney General commenced this action pursuant to Executive Law § 63 (12) and General Business Law Article 23-A. Petitioner seeks: (1) to enjoin respondents from conducting a business within the State of New York until they are properly registered with the Secretary of State to conduct business in New York; (2) to enjoin respondents from running any aspect of their Internet gambling Business within the State of New York; (3) to be awarded restitution and damages to injured investors; and (4) to be awarded penalties and costs to the State of New York for violations of New York State's Securities Law (GBL § 352 also known as "The Martin Act"), federal and state laws prohibiting gambling, and New York State's Executive Law.

Respondents move to dismiss the petition on the grounds that (1) the Attorney General lacks the authority to bring a proceeding under executive Law § 63(12), where a pattern of repeated or persistent fraud or illegal conduct is absent; (2) lack of personal jurisdiction over WIGC and GCC; and (3) lack of subject matter jurisdiction to prosecute alleged violations of the Federal Interstate Wire Act 18 USC § 1084 (a) ("The Wire Act") the Interstate and Foreign Travel or Transportation in Aid of Racketeering Enterprising Act 18 USC § 1952 ("The Travel Act"), and the Wagering and Paraphernalia Act 18 USC § 1953 ("The Paraphernalia Act").

Respondents contend that the transactions occurred offshore and that no state or federal law regulates Internet gambling. They claim that they were operating a duly licensed legitimate business fully authorized by the government of Antigua and in compliance with that country's rules and regulations of a land-based casino. They further argue that the federal and state laws upon which the State relies either do

not apply to the activities of WIGC or are too vague and ambiguous to criminalize the activity of Internet gambling, when such activity is offshore in Antigua.

Executive Law

Executive Law § 63(12) authorizes the Attorney General to bring a special proceeding against a person or business committing repeated or persistent fraudulent or illegal acts. Any conduct which violates state or federal law or regulation is actionable under this provision (See *State v. Ford*, 74 NY2d 495 [1989]). Under Executive Law § 63(12), fraud has been interpreted broadly requiring only a showing that the action has a potential to deceive (See *People v. Apple Health & Sports Clubs*, 206 AD2d 266, 267 [1st Dept 1994]). In order for fraudulent or illegal acts to be actionable under Executive Law § 63(12), respondents' activities must be repeated. (See *State v. Princess Prestige Co., Inc.*, 42 NY2d 104, 107-108 [1977] finding that Executive Law § 63(12) does not require a large number of repeated illegal or fraudulent acts).

In order to defeat the petition, respondent must present facts having probative value "sufficient to demonstrate an unresolved material issue which can be determined only at a plenary trial." (*State v. Waterfine Water Conditioning Co. of New York, Inc.*, 87 Misc 2d 18, 19 [NY Sup Ct 1975]; Compare, *Lafowitz v. McMillan*, 57 AD2d 979 [3rd Dept 1977]). Respondents have failed to submit evidence of any probative value to refute the allegation of the petition.

Personal Jurisdiction Over WIGC and GCC

Although at first glance, Internet transactions may appear novel, "traditional jurisdictional standards have proved to be sufficient to resolve all civil Internet jurisdictional issues" (*People v. Lipeitz*, 174 Misc 2d 571, 578 [Sup Ct New York County 1997]).

The Internet is at least a medium through which individuals may obtain and transmit text, sound, pictures, moving video images, and interactive services using various methods. The Internet also allows individuals to trade securities, execute banking transactions, purchase consumer merchandise, and engage in many other types of business and personal dealings not possible using more traditional means. What makes Internet transactions shed their novelty for jurisdictional purposes, is that similar to their traditional counterparts, they are all executed by and between individuals or corporate entities which are subject to a court's jurisdiction.

Whether the exercise of personal jurisdiction comports with due process requirements depends, as in any case, upon a finding that respondent has purposefully engaged in significant activities such that he has "availed himself of the privilege of conducting business [in the forum state]." (*Burger King Corp v. Rudzewicz*, 472 US 462, 475-76 [1985]). "The test, though not "precise" is a simple pragmatic one [cites omitted]: it's the aggregate of the corporation's activities in the State such that it may be said to be "present" in the State, "not occasionally or casually, but with a fair measure of permanence and continuity[.]" (*Laufer v. Ostrow*, 55 NY2d 305, 310 [1982], citing, *Tauza v. Susquehanna Coal Co.*, 220 NY 259 [1917]; see also, *American Dental Co-op v. Attorney General*, 127 AD2d 274, 280 [1st Dept 1987]).

Respondents in this case are clearly doing business in New York for purposes of acquiring personal jurisdiction. Although WIGC was incorporated in Delaware, WIGC operated its entire business from its corporate headquarters in Bohemia, New York. All administrative and executive decisions as well as the computer research and development of the Internet gambling website were made in New York. The cold-calls to investors to buy WIGC stock were made by WIGC agents employed and operating from this location. Thereafter, respondents sent its prospectus and other solicitation materials about Internet gambling from the Bohemia, New York location. WIGC's continuous and systematic contacts with New York established their physical presence in New York. Moreover, even without physical presence in New York, WIGC's activities are sufficient to meet the minimum contact requirement of *International Shoe Co. v. Washington*, 326 US 310, 316 [1945]. The nature and quality of the defendant's activity must be such that "the defendant purposefully avails itself of the privilege of conducting activities within the forum

state, thus invoking the benefits and protections of its laws" (*Agrashell, Inc. v. Bernard Sirota Co.*, 344 F2d 583, 591 [2nd Cir 1965]). The use of the Internet is more than the mere transmission of communications between an out-of-state defendant and a plaintiff within the jurisdiction.

WIGC and the other respondents are doing business in New York. They worked from New York in conjunction with another New York-based company Imajix Studios, to design the graphics for their Internet gambling casino. From their New York corporate headquarters, they downloaded, viewed, and edited their Internet casino website. Furthermore, respondents engaged in an advertising campaign all over the country to induce people to visit their website and gamble. Knowing that these ads were reaching thousands of New Yorkers, respondents made no attempt to exclude identifiable New Yorkers from the propaganda. Phone logs from respondents' toll-free number (available to casino visitors on the GCC Website) indicate that respondents had received phone calls from New Yorkers. Respondents cannot dispute that they do business in New York and that the acts complained of are subject to this court's jurisdiction.

To establish in personam jurisdiction over GCC, the petitioner must show that GCC functioned merely as the alter ego of WIGC. The corporate form will be pierced only if one corporation is so controlled by the other as to be a mere agent, department or alter ego of the other. See, e.g., *Frummer v. Hilton Hotels International*, 19 NY2d 533, 537 (1967); see also *Gonzalez v. Amtek*, 50 Misc. 2d 62,65-67 (4th Dept 1966); *ABKCO Industries, Inc. v. Lennon*, 52 AD2d 435, 440 (1st Dept 1976). There must be some proof that the parent company dominates or controls the daily activities of the subsidiary (*Delagi v. Volkswagenwerk*, 29 NY2d 426 [1972]; *Taca International Airlines, S.A. v. Rolls-Royce of England, Ltd.*, 15 NY2d 97 [1965]; *Billy v. Consolidated Machine Tool Corporation*, 51 NY2d 152 [1980]). The evidence indicates that GCC is a Corporation completely dominated by WIGC. Aside from it being a wholly owned subsidiary of WIGC, GCC's primary asset, the website, was purchased by WIGC pursuant to a corporate decision by WIGC's CEO respondent Mr. Burton. The use of the GCC casino website was handled from WIGC's corporate headquarters. From WIGC's New York office, respondents also actively solicited investors to buy WIGC shares. Although WIGC was conducting operations from New York, WIGC failed to register with the State as a foreign corporation doing business in New York, the stock offering, the brokers, dealers, issuers, or salespersons for the offering. All GCC top employees were hired by and reported to WIGC. WIGC itself contracted to buy GCC casino website servers from AIE. Whenever GCC's servers required servicing, AIE provided GCC with services pursuant to a contract executed between WIGC and AIE. Furthermore, the licensing agreement with AIE was executed by respondent Burton as CEO of WIGC and GCC. At no time were any formalities observed to maintain a financial distinction between the two entities. GCC did not repay WIGC for the purchase of computer servers, nor did GCC execute any formal documents to commemorate the transfer sale of the servers. Therefore, the corporate form is disregarded and GCC will be deemed an alter ego of WIGC.

Subject Matter Jurisdiction and Application of New York Law

Respondents argue that the Court lacks subject matter jurisdiction, and that Internet gambling falls outside the scope of New York state gambling prohibitions, because the gambling occurs outside of New York state. However, under New York Penal Law, if the person engaged in gambling is located in New York, then New York is the location where the gambling occurred [See, Penal Law § 225.00 (2)] Here, some or all of those funds in an Antiguan bank account are staked every time the New York user enters betting information into the computer. It is irrelevant that Internet gambling is legal in Antigua. The act of entering the bet and transmitting the information from New York via the Internet is adequate to constitute gambling activity within the New York state.

Wide range implications would arise if this Court adopted respondents' argument that activities or transactions which may be targeted at New York residents are beyond the state's jurisdiction. Not only would such an approach severely undermine this state's deep-rooted policy against unauthorized gambling, it also would immunize from liability anyone who engages in any activity over the Internet

which is otherwise illegal in this state. A computer server cannot be permitted to function as a shield against liability, particularly in this case where respondents actively targeted New York as the location where they conducted many of their allegedly illegal activities. Even though gambling is legal where the bet was accepted, the activity was transmitted from New York. Contrary to respondents' unsupported allegation of an Antiguan management company managing GCC, the evidence also indicates that the individuals who gave the computer commands operated from WIGCO's New York office. The respondents enticed Internet users, including New York residents, to play in its casino.

As for respondents' claim that none of the federal statutes apply to operation of an Internet casino licensed by a foreign government, there is nothing in the record or the law to support their contentions. To the contrary, the Wire Act, Travel Act and Wagering Paraphernalia Act all apply despite the fact that the betting instructions are transmitted from outside the United States over the Internet. The scope of each of these statutes clearly extends to the transmission of betting information to a foreign country (See, the Wire Act which prohibits "use of a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers. . . [18 USC § 1084 (a)]; the Travel Act which prohibits the use of "any facility in interstate or foreign commerce" with intent to promote any unlawful activity [18 USC § 1952]). Nor can it be convincingly argued by respondents that the federal statutes are unconstitutionally vague (See, *Turf Center, Inc. v. US*, 325 F2d 793, 795 (9th Cir 1963), *Katz v. United States*, 369 F2d 130, 135 [9th Cir 1966], *United States v. Mendelsohn*, 896 F2d 1183, 1186 [9th Cir 1989]). Because the Wire act, the Travel Act and the Wagering Paraphernalia Act have all been found to be constitutionally valid, and have been found not to be overly broad or vague, and because respondents' conduct falls within the scope of New York's prohibition against gambling, all of these statutes apply to respondents' activities.

The evidence demonstrates that respondents have violated New York Penal law which states that "a person is guilty of promoting gambling . . . when he knowingly advances or profits from unlawful gambling activity" (Penal Law § 225.05). By having established the gambling enterprise, advertised, solicited investors to buy its stock, to gamble through its on-line casino, respondents have "engage[d] in conduct which materially aids . . . gambling activity", in violation of New York law (Penal Law § 225.00 (4) which states "conduct includes but is not limited to conduct directed toward the creation or establishment of a particular game, contest, scheme, device . . . [or] toward the solicitation or inducement of persons to participate therein"). Moreover, this Court rejects respondents' argument that it unknowingly accepted bets from New York residents. New York users can easily circumvent the casino software in order to play by the simple expedient of entering an out-of-state address. Respondents' violation of the Penal Law is that they persisted in continuous illegal conduct directed toward the creation, establishment, and advancement of unauthorized gambling. The violation had occurred long before a New York resident ever staked a bet. Because all of respondents' activities illegally advanced gambling, this Court finds that they have knowingly violated Penal Law § 225-05.

Not only are respondents guilty of violating New York state's gambling laws but they have also violated several federal laws. Like the great majority of states, federal law also proscribes gambling. Statutes such as the Wire Act, the Travel Act and the Interstate Transportation of Wagering Paraphernalia Act are just three examples of the federal government's policy against gambling. As the Wire Act's legislative history states:

"The purpose of the bill is to assist various States and the District of Columbia in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses and to aid in the suppression of organized gambling activities by prohibiting the use of wire communication facilities which are or will be used for the transmission of bets or wagers and gambling information in interstate and foreign commerce."

H.R. Rep. No. 967, 87th Cong. 1st Sess. (1961), U.S. Code Congressional and Administrative News 1961, p 2631) see also *Telephone News Systems, Inc v. Illinois Bell Tel. Co.*, 220 F Supp 621 (1963), affirmed 376 US 782.

The Wire Act bars citizens from engaging "[i]n the business of betting or wagering knowingly using a wire communication for the transmission of interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers." 18 U.S.C. 1084(a). A Wire Act violation occurs when a defendant is in the business of betting or wagering (See U.S. v. Anderson, C.A. Wisconsin, 542 F2d 428 [7th Cir 1976]).

Furthermore, the Travel Act, 18 U.S.C. § 1952, proscribes similar interstate gambling activity by stating;

"...the use of any facility in interstate or foreign commerce, including the mail, with intent to (1) distribute the records of any unlawful activity . . . or (3) otherwise promote, manage, establish carry on or facilitate the promotion, management, establishment or carrying on of any unlawful activity . . . shall be fined not more than \$10,000 or imprisoned for not more than five years or both."

Respondents' interstate use of the Internet to conduct their illegal gambling business violates federal law. As the legislative history behind the Wire Act indicates, the purpose of these federal controls is to aid the states in controlling gambling. Like a prohibited telephone call from a gambling facility, the Internet is accessed by using a telephone wire. When the telephone wire is connected to a modem attached to a user's computer, the user's phone line actually connects the user to the Internet server and then the user may log onto this illegal gambling website from any location in the United States. After selecting from the multitude of illegal games offered by respondent, the information is transmitted to the server in Antigua. Respondents' server then transmits betting information back to the user which is against the Wire Act. The Internet site creates a virtual casino within the User's computer terminal. By hosting this casino and exchanging betting information with the user, an illegal communication in violation of the Wire Act and the Travel Act has occurred.

Respondents attempt to circumvent federal law by asserting that none of these statutes apply to the operation of an Antiguan casino. Moreover, they allege the federal government has not explicitly ruled on Internet gambling therefore it is an unregulated field. Respondents disregard that the Interstate Commerce Clause gives Congress the plenary power to regulate illegal gambling conducted between a U.S. and a foreign location. (See *Champion v. Ames*, 188 US 321, 334 [1903]). Gambling conducted via the Internet from New York to Antigua is indistinguishable from any other form of gambling since both the Wire and Travel Act apply to the transmission of information into a foreign country. See 18 U.S.C. 1084(a); 18 U.S.C. 1953(a). Therefore, the respondents are culpable for violating the Wire Act and the Travel Act.

Additionally, respondents violated The Interstate Transportation or Wagering Paraphernalia Act. Under this act:

"[w]hoever, except a common carrier in the usual course of business, knowingly carries or sends in interstate or foreign commerce any record, paraphernalia, ticket, certificate, bills slip, token, paper, writing or other device under, or to be used, or adapted, devised, designed for use in (a) bookmaking; or (b) wagering pools with respect to a sporting event or (c) in a numbers, policy, bolita, or similar game shall be fined not more than \$10,000 or imprisoned for more than five years, or both." [18 U.S.C. §1953(a)]

The respondents intentionally sent records of gambling activity from the GCC location in Antigua through international and interstate commerce into various United States locations, among them New York. When respondents solicited perspective investors, they sent them a multitude of materials which were specifically to be utilized for the setting up and advancing of the Internet gambling business through U.S. mail. Furthermore, the actual computers which would be used for gambling between the United States and Antigua was bought and delivered through U.S. mail from Florida to GCC's location in Antigua.

The respondent's total activities unambiguously advance gambling in direct violation of the explicit safeguards that New York and the federal laws have placed against unauthorized gambling activity.

In addition, several of New York's registration requirements have been violated. For instance, under BCL §1301(a), a "foreign corporation shall not do business in this state until it has been authorized to do so. . ." by submitting an application to the Department of State. WIGC is a foreign corporation, incorporated in Delaware, operating out of offices in Bohemia, New York. Since WIGC failed to apply for approval from the Department of State, the respondents were repeatedly operating illegally in New York State.

Moreover, pursuant to the Martin Act, the issuer, dealer, salesmen of securities must all be registered with the Attorney General prior to the solicitation of investors. GBL §359(e) defines a dealer as "a person, firm, association or corporation selling or offering for sale from or to the public within or from this state securities issued by it". Respondents acted as the issuer, dealer and salesmen when they sold units of WIGC stock from their office in New York without registering. Respondents frivolously claim they are exempt from registering under the Martin Act due to GBL §359(f). However, they fail to point to any applicable exception under GBL §359(f). Furthermore, although a company failing to register is normally penalized with a fine and subsequently the company is often allowed to file for registration, the violation still constitutes a fraudulent practice under New York law (See, GBL §359-e(14)(1)).

This Court further finds that respondent also violated the Martin Act's prohibition against the use of deception, misrepresentations, or concealment in the sale of securities (See, GBL §352(1)). It is well settled that fraud exists not only where there has been an affirmative misstatement of a material fact, but also where there has been an omission of a material fact (See, GBL §352-c(1); TSC Industries, Inc., v. Northway, Inc., 426 US 438 (1976); State of New York v. Rachmani Corp., 71 NY2d 718, 727 [1988]). While the evidence does not conclusively show that respondents misrepresented to investors certain facts about the potential return on their investment, the likelihood of an IPO, or the legality of Internet gambling, respondents did misrepresent and failed to disclose facts regarding the use of proceeds raised in the offering.

It is undisputed that approximately 46% of the investors' funds were used to pay respondents' commissions, salaries, and consulting fees. Without disclosing to investors, individual respondent Jeffery Burton, CEO and Director of WIGC received a personal loan of \$84,000 from the corporation. Respondent Cynthia Burton, Jeffery Burton's wife and a secretary at WIGC drew a salary of \$93,439 from WIGC over a mere seven month period. Respondent Lawrence Blocker, President and Director at WIGC, received \$135,864 in salary, commissions and fees. Respondents Gregory Flemming Sr., Gerald Varland, and Howard Toomer, all Vice Presidents of Marketing, took substantial salaries of \$242,260, \$109,650, and \$71,260 respectively. In addition to the individual respondents created various business entities through which they paid themselves undisclosed consultant fees.

Not only were none of these salaries disclosed to investors, the respondents' offering materials indicted that only 18% of the offering proceeds would be used as working capital and to pay commissions. Had investors known that 46% of the funds raised were being paid to respondents in the form of salaries, commissions and consulting fees, they might well have chosen to forego the investment (Compare, People v. Tellier, 7 Misc 2d 43 [NY County Sup Ct 1956]; Grandon v. Merrill Lynch & Co., 147 F3d 184 [2nd Cir 1998]).

Because of the clear illegality present in respondents' actions, and absence of any triable issue of fact, respondents are found liable under Executive Law §63(12) for their state and federal law violations.

Remedies

The Attorney General is entitled to injunctive relief which is routinely granted in special proceedings under Executive Law §63(12) (People v. Apple Health Sports Clubs, Ltd., Inc., 206 AD2d 266 [1st Dept. 1994], aff'd, 84 NY2d 1004[1994]). The requirement of a bond to assure future proper behavior on the

part of an enjoined party traditionally accompanies such an injunction (see, *People v. Empyre Inground Pool*, 227 AD2d 731 [3rd Dept 1996]; *People v. Helena VIP Personal Introductions Servs*, 199 AD2d 186 [1st Dept 1993]). This Court finds the request for an injunction warranted, and directs fixing of the amount be incorporated in an order to be settled.

As for the Attorney General's request for restitution, penalties, and cost, which are available under Executive Law § 63(12) and GBL §353(3), this Court finds the circumstances warrant awarding them in this case. The manner of the accounting, the mechanism for restitution, and the amount in penalties and costs to be awarded shall be resolved at a hearing.

Because each respondent is individually liable for the actions conducted by both WIGC and GCC WIGC's (See, e.g., *Matter of State of New York v. Daro Chartours*, 72 AD2d 972, 873 [3rd Dept 1979]; see also, *Marian Midland Bank v. Russo Products Co.*, 50 NY2d 31, 44 [1980] finding that corporate veil can be pierced to hold corporate officers liable for a tort regardless of whether they acted in conjunction with the corporation and in the course of their corporate duties), and shall be fined appropriately, all parties including individual respondents are directed to appear for a preliminary conference before this Court on September 9, 1999 at 9:30 a.m., to resolve any issues regarding, the scope of the accounting, discovery, or scheduling of the hearing.

Respondents are further directed not to destroy any personal or business records relating to this matter.

This constitutes the decision and order of this Court.

Settle order on notice.

Dated: July 22, 1999

A. General remarks

5. At the twenty-second session of the Working Group, the view was generally shared that there was an absence of an agreed international standard on ODR, and that a need existed to address in a practical way disputes arising from the many lowvalue transactions, both B2B and B2C, which were occurring in very high-volumes worldwide and required a dispute resolution response that was rapid, effective and inexpensive. The view was also expressed that enforcement of awards cross-border was difficult if not impossible in light of the lack of treaties providing expressly for cross-border enforcement of awards in B2C transactions (A/CN.9/716, para. 16). Issues raised included: how a global ODR system would be funded (and indeed whether States would be willing to fund it); and, in the context of enforcement and the validity of the arbitration agreement, whether the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) was appropriate and applicable to those ODR cases leading to an arbitral award, as they dealt with disputes involving consumers. Reference was made to treaty obligations under the New York Convention (A/CN.9/716, para. 23).

6. The present note contains draft fast-track procedural rules that could be used as a model by ODR providers, and does not address the question of enforcement of decisions made in the context of ODR. The Working Group may wish to note that the draft procedural rules have been drafted in a generic manner, so as to apply to B2B and B2C transactions, provided that those transactions have the common feature of being low-value. This is in line with the mandate of the Commission that work on that topic should focus on ODR relating to cross-border e-commerce transactions, including B2B and B2C transactions (see above, para. 1).

7. Taking into account the decision of the Working Group at its twenty-second session to formulate simple, user-friendly generic rules that reflect the low-value of claims involved, the need for a speedy procedure,

and that emphasize conciliation since the majority of cases are resolved at that stage (A/CN.9/716, para. 55), the draft procedural rules have the following characteristics:

(a) They include a negotiation phase, followed by a phase of facilitated settlement and, if that second phase is inconclusive, by a final and binding decision by a neutral person. To take account of the need for a speedy procedure, the neutral appointed by the ODR provider handles both phases of facilitated settlement and arbitration; the term “neutral” has been chosen to encompass both possible functions;

(b) It is proposed that, unless otherwise decided by the parties, disputes are handled by a sole neutral, who is selected by the ODR provider and not the parties, although the parties can challenge the choice of the neutral through a simplified procedure; and

(c) There would not be any hearing, as the procedure is based on documents filed online.

8. Subjects for further consideration by the Working Group include the general legal framework in which those rules should come into operation (see below, paras. 13-14), as well as the question of arbitrability (see below, para. 12).

UNIFORM ELECTRONIC TRANSACTIONS ACT (1999)

SECTION 1. SHORT TITLE. This [Act] may be cited as the Uniform Electronic Transactions Act.

SECTION 2. DEFINITIONS. In this [Act]:

(1) "Agreement" means the bargain of the parties in fact, as found in their language or inferred from other circumstances and from rules, regulations, and procedures given the effect of agreements under laws otherwise applicable to a particular transaction.

(2) "Automated transaction" means a transaction conducted or performed, in whole or in part, by electronic means or electronic records, in which the acts or records of one or both parties are not reviewed by an individual in the ordinary course in forming a contract, performing under an existing contract, or fulfilling an obligation required by the transaction.

(3) "Computer program" means a set of statements or instructions to be used directly or indirectly in an information processing system in order to bring about a certain result.

(4) "Contract" means the total legal obligation resulting from the parties' agreement as affected by this [Act] and other applicable law.

(5) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(6) "Electronic agent" means a computer program or an electronic or other automated means used independently to initiate an action or respond to electronic records or performances in whole or in part, without review or action by an individual.

(7) "Electronic record" means a record created, generated, sent, communicated, received, or stored by electronic means.

(8) "Electronic signature" means an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

(9) "Governmental agency" means an executive, legislative, or judicial agency, department, board, commission, authority, institution, or instrumentality of the federal government or of a State or of a county, municipality, or other political subdivision of a State.

(10) "Information" means data, text, images, sounds, codes, computer programs, software, databases, or the like.

(11) "Information processing system" means an electronic system for creating, generating, sending, receiving, storing, displaying, or processing information.

(12) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, governmental agency, public corporation, or any other legal or commercial entity.

(13) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(14) "Security procedure" means a procedure employed for the purpose of verifying that an electronic signature, record, or performance is that of a specific person or for detecting changes or errors in the

information in an electronic record. The term includes a procedure that requires the use of algorithms or other codes, identifying words or numbers, encryption, or callback or other acknowledgment procedures.

(15) "State" means a State of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States. The term includes an Indian tribe or band, or Alaskan native village, which is recognized by federal law or formally acknowledged by a State.

(16) "Transaction" means an action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.

Sources: UNICTRAL Model Law on Electronic Commerce; Uniform Commercial Code; Uniform Computer Information Transactions Act; Restatement 2d Contracts.

Comment

1. "Agreement."

Whether the parties have reached an agreement is determined by their express language and all surrounding circumstances. The Restatement 2d Contracts § 3 provides that, "An agreement is a manifestation of mutual assent on the part of two or more persons." See also Restatement 2d Contracts, Section 2, Comment b. The Uniform Commercial Code specifically includes in the circumstances from which an agreement may be inferred "course of performance, course of dealing and usage of trade . . ." as defined in the UCC. Although the definition of agreement in this Act does not make specific reference to usage of trade and other party conduct, this definition is not intended to affect the construction of the parties' agreement under the substantive law applicable to a particular transaction. Where that law takes account of usage and conduct in informing the terms of the parties' agreement, the usage or conduct would be relevant as "other circumstances" included in the definition under this Act.

Where the law applicable to a given transaction provides that system rules and the like constitute part of the agreement of the parties, such rules will have the same effect in determining the parties agreement under this Act. For example, UCC Article 4 (Section 4-103(b)) provides that Federal Reserve regulations and operating circulars and clearinghouse rules have the effect of agreements. Such agreements by law properly would be included in the definition of agreement in this Act.

The parties' agreement is relevant in determining whether the provisions of this Act have been varied by agreement. In addition, the parties' agreement may establish the parameters of the parties' use of electronic records and signatures, security procedures and similar aspects of the transaction. See Model Trading Partner Agreement, 45 Business Lawyer Supp. Issue (June 1990). See Section 5(b) and Comments thereto.

2. "Automated Transaction."

An automated transaction is a transaction performed or conducted by electronic means in which machines are used without human intervention to form contracts and perform obligations under existing contracts. Such broad coverage is necessary because of the diversity of transactions to which this Act may apply.

As with electronic agents, this definition addresses the circumstance where electronic records may result in action or performance by a party although no human review of the electronic records is anticipated. Section 14 provides specific rules to assure that where one or both parties do not review the electronic records, the resulting agreement will be effective.

The critical element in this definition is the lack of a human actor on one or both sides of a transaction. For example, if one orders books from Bookseller.com through Bookseller's website, the transaction would be

an automated transaction because Bookseller took and confirmed the order via its machine. Similarly, if Automaker and supplier do business through Electronic Data Interchange, Automaker's computer, upon receiving information within certain pre-programmed parameters, will send an electronic order to supplier's computer. If Supplier's computer confirms the order and processes the shipment because the order falls within pre-programmed parameters in Supplier's computer, this would be a fully automated transaction. If, instead, the Supplier relies on a human employee to review, accept, and process the Buyer's order, then only the Automaker's side of the transaction would be automated. In either case, the entire transaction falls within this definition.

3. "Computer program." This definition refers to the functional and operating aspects of an electronic, digital system. It relates to operating instructions used in an electronic system such as an electronic agent. (See definition of "Electronic Agent.")

4. "Electronic." The basic nature of most current technologies and the need for a recognized, single term warrants the use of "electronic" as the defined term. The definition is intended to assure that the Act will be applied broadly as new technologies develop. The term must be construed broadly in light of developing technologies in order to fulfill the purpose of this Act to validate commercial transactions regardless of the medium used by the parties. Current legal requirements for "writings" can be satisfied by almost any tangible media, whether paper, other fibers, or even stone. The purpose and applicability of this Act covers intangible media which are technologically capable of storing, transmitting and reproducing information in human perceivable form, but which lack the tangible aspect of paper, papyrus or stone.

While not all technologies listed are technically "electronic" in nature (e.g., optical fiber technology), the term "electronic" is the most descriptive term available to describe the majority of current technologies. For example, the development of biological and chemical processes for communication and storage of data, while not specifically mentioned in the definition, are included within the technical definition because such processes operate on electromagnetic impulses. However, whether a particular technology may be characterized as technically "electronic," i.e., operates on electromagnetic impulses, should not be determinative of whether records and signatures created, used and stored by means of a particular technology are covered by this Act. This Act is intended to apply to all records and signatures created, used and stored by any medium which permits the information to be retrieved in perceivable form.

5. "Electronic agent." This definition establishes that an electronic agent is a machine. As the term "electronic agent" has come to be recognized, it is limited to a tool function. The effect on the party using the agent is addressed in the operative provisions of the Act (e.g., Section 14)

An electronic agent, such as a computer program or other automated means employed by a person, is a tool of that person. As a general rule, the employer of a tool is responsible for the results obtained by the use of that tool since the tool has no independent volition of its own. However, an electronic agent, by definition, is capable within the parameters of its programming, of initiating, responding or interacting with other parties or their electronic agents once it has been activated by a party, without further attention of that party.

While this Act proceeds on the paradigm that an electronic agent is capable of performing only within the technical strictures of its preset programming, it is conceivable that, within the useful life of this Act, electronic agents may be created with the ability to act autonomously, and not just automatically. That is, through developments in artificial intelligence, a computer may be able to "learn through experience, modify the instructions in their own programs, and even devise new instructions." Allen and Widdison, "Can Computers Make Contracts?" 9 Harv. J.L.&Tech 25 (Winter, 1996). If such developments occur, courts may construe the definition of electronic agent accordingly, in order to recognize such new capabilities.

The examples involving Bookseller.com and Automaker in the Comment to the definition of Automated Transaction are equally applicable here. Bookseller acts through an electronic agent in processing an order for books. Automaker and the supplier each act through electronic agents in facilitating and effectuating the just-in-time inventory process through EDI.

6. "Electronic record." An electronic record is a subset of the broader defined term "record." It is any record created, used or stored in a medium other than paper (see definition of electronic). The defined term is also used in this Act as a limiting definition in those provisions in which it is used.

Information processing systems, computer equipment and programs, electronic data interchange, electronic mail, voice mail, facsimile, telex, telecopying, scanning, and similar technologies all qualify as electronic under this Act. Accordingly information stored on a computer hard drive or floppy disc, facsimiles, voice mail messages, messages on a telephone answering machine, audio and video tape recordings, among other records, all would be electronic records under this Act.

7. "Electronic signature."

The idea of a signature is broad and not specifically defined. Whether any particular record is "signed" is a question of fact. Proof of that fact must be made under other applicable law. This Act simply assures that the signature may be accomplished through electronic means. No specific technology need be used in order to create a valid signature. One's voice on an answering machine may suffice if the requisite intention is present. Similarly, including one's name as part of an electronic mail communication also may suffice, as may the firm name on a facsimile. It also may be shown that the requisite intent was not present and accordingly the symbol, sound or process did not amount to a signature. One may use a digital signature with the requisite intention, or one may use the private key solely as an access device with no intention to sign, or otherwise accomplish a legally binding act. In any case the critical element is the intention to execute or adopt the sound or symbol or process for the purpose of signing the related record.

The definition requires that the signer execute or adopt the sound, symbol, or process with the intent to sign the record. The act of applying a sound, symbol or process to an electronic record could have differing meanings and effects. The consequence of the act and the effect of the act as a signature are determined under other applicable law. However, the essential attribute of a signature involves applying a sound, symbol or process with an intent to do a legally significant act. It is that intention that is understood in the law as a part of the word "sign", without the need for a definition.

This Act establishes, to the greatest extent possible, the equivalency of electronic signatures and manual signatures. Therefore the term "signature" has been used to connote and convey that equivalency. The purpose is to overcome unwarranted biases against electronic methods of signing and authenticating records. The term "authentication," used in other laws, often has a narrower meaning and purpose than an electronic signature as used in this Act. However, an authentication under any of those other laws constitutes an electronic signature under this Act.

The precise effect of an electronic signature will be determined based on the surrounding circumstances under Section 9(b).

This definition includes as an electronic signature the standard webpage click through process. For example, when a person orders goods or services through a vendor's website, the person will be required to provide information as part of a process which will result in receipt of the goods or services. When the customer ultimately gets to the last step and clicks "I agree," the person has adopted the process and has done so with the intent to associate the person with the record of that process. The actual effect of the electronic signature will be determined from all the surrounding circumstances, however, the person adopted a process which the circumstances indicate s/he intended to have the effect of getting the goods/services and being bound to pay for them. The adoption of the process carried the intent to do a legally significant act, the hallmark of a signature.

Another important aspect of this definition lies in the necessity that the electronic signature be linked or logically associated with the record. In the paper world, it is assumed that the symbol adopted by a party is attached to or located somewhere in the same paper that is intended to be authenticated, e.g., an allonge firmly attached to a promissory note, or the classic signature at the end of a long contract. These tangible manifestations do not exist in the electronic environment, and accordingly, this definition expressly provides that the symbol must in some way be linked to, or connected with, the electronic record being signed. This linkage is consistent with the regulations promulgated by the Food and Drug Administration. 21 CFR Part 11 (March 20, 1997).

A digital signature using public key encryption technology would qualify as an electronic signature, as would the mere inclusion of one's name as a part of an e-mail message - so long as in each case the signer executed or adopted the symbol with the intent to sign.

8. "Governmental agency." This definition is important in the context of optional Sections 17-19.

9. "Information processing system." This definition is consistent with the UNCITRAL Model Law on Electronic Commerce. The term includes computers and other information systems. It is principally used in Section 15 in connection with the sending and receiving of information. In that context, the key aspect is that the information enter a system from which a person can access it.

10. "Record." This is a standard definition designed to embrace all means of communicating or storing information except human memory. It includes any method for storing or communicating information, including "writings." A record need not be indestructible or permanent, but the term does not include oral or other communications which are not stored or preserved by some means. Information that has not been retained other than through human memory does not qualify as a record. As in the case of the terms "writing" or "written," the term "record" does not establish the purposes, permitted uses or legal effect which a record may have under any particular provision of substantive law. ABA Report on Use of the Term "Record," October 1, 1996.

11. "Security procedure."

A security procedure may be applied to verify an electronic signature, verify the identity of the sender, or assure the informational integrity of an electronic record. The definition does not identify any particular technology. This permits the use of procedures which the parties select or which are established by law. It permits the greatest flexibility among the parties and allows for future technological development.

The definition in this Act is broad and is used to illustrate one way of establishing attribution or content integrity of an electronic record or signature. The use of a security procedure is not accorded operative legal effect, through the use of presumptions or otherwise, by this Act. In this Act, the use of security procedures is simply one method for proving the source or content of an electronic record or signature.

A security procedure may be technologically very sophisticated, such as an asymmetric cryptographic system. At the other extreme the security procedure may be as simple as a telephone call to confirm the identity of the sender through another channel of communication. It may include the use of a mother's maiden name or a personal identification number (PIN). Each of these examples is a method for confirming the identity of a person or accuracy of a message.

12. "Transaction." The definition has been limited to actions between people taken in the context of business, commercial or governmental activities. The term includes all interactions between people for business, commercial, including specifically consumer, or governmental purposes. However, the term does not include unilateral or non-transactional actions. As such it provides a structural limitation on the scope of the Act as stated in the next section.

It is essential that the term commerce and business be understood and construed broadly to include commercial and business transactions involving individuals who may qualify as "consumers" under other applicable law. If Alice and Bob agree to the sale of Alice's car to Bob for \$2000 using an internet auction site, that transaction is fully covered by this Act. Even if Alice and Bob each qualify as typical "consumers" under other applicable law, their interaction is a transaction in commerce. Accordingly their actions would be related to commercial affairs, and fully qualify as a transaction governed by this Act.

Other transaction types include:

1. A single purchase by an individual from a retail merchant, which may be accomplished by an order from a printed catalog sent by facsimile, or by exchange of electronic mail.
2. Recurring orders on a weekly or monthly basis between large companies which have entered into a master trading partner agreement to govern the methods and manner of their transaction parameters.
3. A purchase by an individual from an online internet retail vendor. Such an arrangement may develop into an ongoing series of individual purchases, with security procedures and the like, as a part of doing ongoing business.
4. The closing of a business purchase transaction via facsimile transmission of documents or even electronic mail. In such a transaction, all parties may participate through electronic conferencing technologies. At the appointed time all electronic records are executed electronically and transmitted to the other party. In such a case, the electronic records and electronic signatures are validated under this Act, obviating the need for "in person" closings.

A transaction must include interaction between two or more persons. Consequently, to the extent that the execution of a will, trust, or a health care power of attorney or similar health care designation does not involve another person and is a unilateral act, it would not be covered by this Act because not occurring as a part of a transaction as defined in this Act. However, this Act does apply to all electronic records and signatures related to a transaction, and so does cover, for example, internal auditing and accounting records related to a transaction.

SECTION 3. SCOPE.

(a) Except as otherwise provided in subsection (b), this [Act] applies to electronic records and electronic signatures relating to a transaction.

(b) This [Act] does not apply to a transaction to the extent it is governed by:

- (1) a law governing the creation and execution of wills, codicils, or testamentary trusts;
- (2) [The Uniform Commercial Code other than Sections 1-107 and 1-206, Article 2, and Article 2A];
- (3) [the Uniform Computer Information Transactions Act]; and
- (4) [other laws, if any, identified by State].

(c) This [Act] applies to an electronic record or electronic signature otherwise excluded from the application of this [Act] under subsection (b) to the extent it is governed by a law other than those specified in subsection (b).

(d) A transaction subject to this [Act] is also subject to other applicable substantive law.

See Legislative Note below - Following Comments.

Comment

1. The scope of this Act is inherently limited by the fact that it only applies to transactions related to business, commercial (including consumer) and governmental matters. Consequently, transactions with no relation to business, commercial or governmental transactions would not be subject to this Act. Unilaterally generated electronic records and signatures which are not part of a transaction also are not covered by this Act. See Section 2, Comment 12.

2. This Act affects the medium in which information, records and signatures may be presented and retained under current legal requirements. While this Act covers all electronic records and signatures which are used in a business, commercial (including consumer) or governmental transaction, the operative provisions of the Act relate to requirements for writings and signatures under other laws. Accordingly, the exclusions in subsection (b) focus on those legal rules imposing certain writing and signature requirements which will not be affected by this Act.

3. The exclusions listed in subsection (b) provide clarity and certainty regarding the laws which are and are not affected by this Act. This section provides that transactions subject to specific laws are unaffected by this Act and leaves the balance subject to this Act.

4. Paragraph (1) excludes wills, codicils and testamentary trusts. This exclusion is largely salutary given the unilateral context in which such records are generally created and the unlikely use of such records in a transaction as defined in this Act (i.e., actions taken by two or more persons in the context of business, commercial or governmental affairs). Paragraph (2) excludes all of the Uniform Commercial Code other than UCC Sections 1-107 and 1-206, and Articles 2 and 2A. This Act does not apply to the excluded UCC articles, whether in "current" or "revised" form. The Act does apply to UCC Articles 2 and 2A and to UCC Sections 1-107 and 1-206.

5. Articles 3, 4 and 4A of the UCC impact payment systems and have specifically been removed from the coverage of this Act. The check collection and electronic fund transfer systems governed by Articles 3, 4 and 4A involve systems and relationships involving numerous parties beyond the parties to the underlying contract. The impact of validating electronic media in such systems involves considerations beyond the scope of this Act. Articles 5, 8 and 9 have been excluded because the revision process relating to those Articles included significant consideration of electronic practices. Paragraph 4 provides for exclusion from this Act of the Uniform Computer Information Transactions Act (UCITA) because the drafting process of that Act also included significant consideration of electronic contracting provisions.

6. The very limited application of this Act to Transferable Records in Section 16 does not affect payment systems, and the section is designed to apply to a transaction only through express agreement of the parties. The exclusion of Articles 3 and 4 will not affect the Act's coverage of Transferable Records. Section 16 is designed to allow for the development of systems which will provide "control" as defined in Section 16. Such control is necessary as a substitute for the idea of possession which undergirds negotiable instrument law. The technology has yet to be developed which will allow for the possession of a unique electronic token embodying the rights associated with a negotiable promissory note. Section 16's concept of control is intended as a substitute for possession.

The provisions in Section 16 operate as free standing rules, establishing the rights of parties using Transferable Records under this Act. The references in Section 16 to UCC Sections 3-302, 7-501, and 9-308 (R9-330(d)) are designed to incorporate the substance of those provisions into this Act for the limited purposes noted in Section 16(c). Accordingly, an electronic record which is also a Transferable Record, would not be used for purposes of a transaction governed by Articles 3, 4, or 9, but would be an electronic record used for purposes of a transaction governed by Section 16. However, it is important to remember that those UCC Articles will still apply to the transferable record in their own right. Accordingly any other substantive requirements, e.g., method and manner of perfection under Article 9, must be complied with under those other laws. See Comments to Section 16.

7. This Act does apply, in toto, to transactions under unrevised Articles 2 and 2A. There is every reason to validate electronic contracting in these situations. Sale and lease transactions do not implicate broad systems beyond the parties to the underlying transaction, such as are present in check collection and electronic funds transfers. Further sales and leases generally do not have as far reaching effect on the rights of third parties beyond the contracting parties, such as exists in the secured transactions system. Finally, it is in the area of sales, licenses and leases that electronic commerce is occurring to its greatest extent today. To exclude these transactions would largely gut the purpose of this Act.

In the event that Articles 2 and 2A are revised and adopted in the future, UETA will only apply to the extent provided in those Acts.

8. An electronic record/signature may be used for purposes of more than one legal requirement, or may be covered by more than one law. Consequently, it is important to make clear, despite any apparent redundancy, in subsection (c) that an electronic record used for purposes of a law which is not affected by this Act under subsection (b) may nonetheless be used and validated for purposes of other laws not excluded by subsection (b). For example, this Act does not apply to an electronic record of a check when used for purposes of a transaction governed by Article 4 of the Uniform Commercial Code, i.e., the Act does not validate so-called electronic checks. However, for purposes of check retention statutes, the same electronic record of the check is covered by this Act, so that retention of an electronic image/record of a check will satisfy such retention statutes, so long as the requirements of Section 12 are fulfilled.

In another context, subsection (c) would operate to allow this Act to apply to what would appear to be an excluded transaction under subsection (b). For example, Article 9 of the Uniform Commercial Code applies generally to any transaction that creates a security interest in personal property. However, Article 9 excludes landlord's liens. Accordingly, although this Act excludes from its application transactions subject to Article 9, this Act would apply to the creation of a landlord lien if the law otherwise applicable to landlord's liens did not provide otherwise, because the landlord's lien transaction is excluded from Article 9.

9. Additional exclusions under subparagraph (b)(4) should be limited to laws which govern electronic records and signatures which may be used in transactions as defined in Section 2(16). Records used unilaterally, or which do not relate to business, commercial (including consumer), or governmental affairs are not governed by this Act in any event, and exclusion of laws relating to such records may create unintended inferences about whether other records and signatures are covered by this Act.

It is also important that additional exclusions, if any, be incorporated under subsection (b)(4). As noted in Comment 8 above, an electronic record used in a transaction excluded under subsection (b), e.g., a check used to pay one's taxes, will nonetheless be validated for purposes of other, non-excluded laws under subsection (c), e.g., the check when used as proof of payment. It is critical that additional exclusions, if any, be incorporated into subsection (b) so that the salutary effect of subsection (c) apply to validate those records in other, non-excluded transactions. While a legislature may determine that a particular notice, such as a utility shutoff notice, be provided to a person in writing on paper, it is difficult to see why the utility should not be entitled to use electronic media for storage and evidentiary purposes. Legislative Note Regarding Possible Additional Exclusions under Section 3(b)(4).

The following discussion is derived from the Report dated September 21, 1998 of The Task Force on State Law Exclusions (the "Task Force") presented to the Drafting Committee. After consideration of the Report, the Drafting Committee determined that exclusions other than those specified in the Act were not warranted. In addition, other inherent limitations on the applicability of the Act (the definition of transaction, the requirement that the parties acquiesce in the use of an electronic format) also militate against additional exclusions. Nonetheless, the Drafting Committee recognized that some legislatures may wish to exclude additional transactions from the Act, and determined that guidance in some major areas would be helpful to those legislatures considering additional areas for exclusion.

Because of the overwhelming number of references in state law to writings and signatures, the following list of possible transactions is not exhaustive. However, they do represent those areas most commonly raised during the course of the drafting process as areas that might be inappropriate for an electronic medium. It is important to keep in mind however, that the Drafting Committee determined that exclusion of these additional areas was not warranted.

1. Trusts (other than testamentary trusts). Trusts can be used for both business and personal purposes. By virtue of the definition of transaction, trusts used outside the area of business and commerce would not be governed by this Act. With respect to business or commercial trusts, the laws governing their formation contain few or no requirements for paper or signatures. Indeed, in most jurisdictions trusts of any kind may be created orally. Consequently, the Drafting Committee believed that the Act should apply to any transaction where the law leaves to the parties the decision of whether to use a writing. Thus, in the absence of legal requirements for writings, there is no sound reason to exclude laws governing trusts from the application of this Act.

2. Powers of Attorney. A power of attorney is simply a formalized type of agency agreement. In general, no formal requirements for paper or execution were found to be applicable to the validity of powers of attorney.

Special health powers of attorney have been established by statute in some States. These powers may have special requirements under state law regarding execution, acknowledgment and possibly notarization. In the normal case such powers will not arise in a transactional context and so would not be covered by this Act. However, even if such a record were to arise in a transactional context, this Act operates simply to remove the barrier to the use of an electronic medium, and preserves other requirements of applicable substantive law, avoiding any necessity to exclude such laws from the operation of this Act. Especially in light of the provisions of Sections 8 and 11, the substantive requirements under such laws will be preserved and may be satisfied in an electronic format.

3. Real Estate Transactions. It is important to distinguish between the efficacy of paper documents involving real estate between the parties, as opposed to their effect on third parties. As between the parties it is unnecessary to maintain existing barriers to electronic contracting. There are no unique characteristics to contracts relating to real property as opposed to other business and commercial (including consumer) contracts. Consequently, the decision whether to use an electronic medium for their agreements should be a matter for the parties to determine. Of course, to be effective against third parties state law generally requires filing with a governmental office. Pending adoption of electronic filing systems by States, the need for a piece of paper to file to perfect rights against third parties, will be a consideration for the parties. In the event notarization and acknowledgment are required under other laws, Section 11 provides a means for such actions to be accomplished electronically.

With respect to the requirements of government filing, those are left to the individual States in the decision of whether to adopt and implement electronic filing systems. (See optional Sections 17-19.) However, government recording systems currently require paper deeds including notarized, manual signatures. Although California and Illinois are experimenting with electronic filing systems, until such systems become widespread, the parties likely will choose to use, at the least, a paper deed for filing purposes. Nothing in this Act precludes the parties from selecting the medium best suited to the needs of the particular transaction. Parties may wish to consummate the transaction using electronic media in order to avoid expensive travel. Yet the actual deed may be in paper form to assure compliance with existing recording systems and requirements. The critical point is that nothing in this Act prevents the parties from selecting paper or electronic media for all or part of their transaction.

4. Consumer Protection Statutes. Consumer protection provisions in state law often require that information be disclosed or provided to a consumer in writing. Because this Act does apply to such transactions, the question of whether such laws should be specifically excluded was considered. Exclusion

of consumer transactions would eliminate a huge group of commercial transactions which benefit consumers by enabling the efficiency of the electronic medium. Commerce over the internet is driven by consumer demands and concerns and must be included.

At the same time, it is important to recognize the protective effects of many consumer statutes. Consumer statutes often require that information be provided in writing, or may require that the consumer separately sign or initial a particular provision to evidence that the consumer's attention was brought to the provision. Subsection (1) requires electronic records to be retainable by a person whenever the law requires information to be delivered in writing. The section imposes a significant burden on the sender of information. The sender must assure that the information system of the recipient is compatible with, and capable of retaining the information sent by, the sender's system. Furthermore, nothing in this Act permits the avoidance of legal requirements of separate signatures or initialing. The Act simply permits the signature or initialing to be done electronically.

Other consumer protection statutes require (expressly or implicitly) that certain information be presented in a certain manner or format. Laws requiring information to be presented in particular fonts, formats or in similar fashion, as well as laws requiring conspicuous displays of information are preserved. Section 8(b)(3) specifically preserves the applicability of such requirements in an electronic environment. In the case of legal requirements that information be presented or appear conspicuous, the determination of what is conspicuous will be left to other law. Section 8 was included to specifically preserve the protective functions of such disclosure statutes, while at the same time allowing the use of electronic media if the substantive requirements of the other laws could be satisfied in the electronic medium.

Formatting and separate signing requirements serve a critical purpose in much consumer protection legislation, to assure that information is not slipped past the unsuspecting consumer. Not only does this Act not disturb those requirements, it preserves those requirements. In addition, other bodies of substantive law continue to operate to allow the courts to police any such bad conduct or overreaching, e.g., unconscionability, fraud, duress, mistake and the like. These bodies of law remain applicable regardless of the medium in which a record appears.

The requirement that both parties agree to conduct a transaction electronically also prevents the imposition of an electronic medium on unwilling parties See Section 5(b). In addition, where the law requires inclusion of specific terms or language, those requirements are preserved broadly by Section 5(e).

Requirements that information be sent to, or received by, someone have been preserved in Section 15. As in the paper world, obligations to send do not impose any duties on the sender to assure receipt, other than reasonable methods of dispatch. In those cases where receipt is required legally, Sections 5, 8, and 15 impose the burden on the sender to assure delivery to the recipient if satisfaction of the legal requirement is to be fulfilled.

The preservation of existing safeguards, together with the ability to opt out of the electronic medium entirely, demonstrate the lack of any need generally to exclude consumer protection laws from the operation of this Act. Legislatures may wish to focus any review on those statutes which provide for post-contract formation and post-breach notices to be in paper. However, any such consideration must also balance the needed protections against the potential burdens which may be imposed. Consumers and others will not be well served by restrictions which preclude the employment of electronic technologies sought and desired by consumers.

SECTION 4. PROSPECTIVE APPLICATION. This [Act] applies to any electronic record or electronic signature created, generated, sent, communicated, received, or stored on or after the effective date of this [Act].

Comment

This section makes clear that the Act only applies to validate electronic records and signatures which arise subsequent to the effective date of the Act. Whether electronic records and electronic signatures arising before the effective date of this Act are valid is left to other law.

SECTION 5. USE OF ELECTRONIC RECORDS AND ELECTRONIC SIGNATURES; VARIATION BY AGREEMENT.

(a) This [Act] does not require a record or signature to be created, generated, sent, communicated, received, stored, or otherwise processed or used by electronic means or in electronic form.

(b) This [Act] applies only to transactions between parties each of which has agreed to conduct transactions by electronic means. Whether the parties agree to conduct a transaction by electronic means is determined from the context and surrounding circumstances, including the parties' conduct.

(c) A party that agrees to conduct a transaction by electronic means may refuse to conduct other transactions by electronic means. The right granted by this subsection may not be waived by agreement.

(d) Except as otherwise provided in this [Act], the effect of any of its provisions may be varied by agreement. The presence in certain provisions of this [Act] of the words "unless otherwise agreed", or words of similar import, does not imply that the effect of other provisions may not be varied by agreement.

(e) Whether an electronic record or electronic signature has legal consequences is determined by this [Act] and other applicable law.

Comment

This section limits the applicability of this Act to transactions which parties have agreed to conduct electronically. Broad interpretation of the term agreement is necessary to assure that this Act has the widest possible application consistent with its purpose of removing barriers to electronic commerce.

1. This section makes clear that this Act is intended to facilitate the use of electronic means, but does not require the use of electronic records and signatures. This fundamental principle is set forth in subsection (a) and elaborated by subsections (b) and (c), which require an intention to conduct transactions electronically and preserve the right of a party to refuse to use electronics in any subsequent transaction.

2. The paradigm of this Act is two willing parties doing transactions electronically. It is therefore appropriate that the Act is voluntary and preserves the greatest possible party autonomy to refuse electronic transactions. The requirement that party agreement be found from all the surrounding circumstances is a limitation on the scope of this Act.

3. If this Act is to serve to facilitate electronic transactions, it must be applicable under circumstances not rising to a full fledged contract to use electronics. While absolute certainty can be accomplished by obtaining an explicit contract before relying on electronic transactions, such an explicit contract should not be necessary before one may feel safe in conducting transactions electronically. Indeed, such a requirement would itself be an unreasonable barrier to electronic commerce, at odds with the fundamental purpose of this Act. Accordingly, the requisite agreement, express or implied, must be determined from all available circumstances and evidence.

4. Subsection (b) provides that the Act applies to transactions in which the parties have agreed to conduct the transaction electronically. In this context it is essential that the parties' actions and words be broadly construed in determining whether the requisite agreement exists. Accordingly, the Act expressly provides that the party's agreement is to be found from all circumstances, including the parties' conduct. The critical element is the intent of a party to conduct a transaction electronically. Once that intent is established, this Act applies. See Restatement 2d Contracts, Sections 2, 3, and 19.

Examples of circumstances from which it may be found that parties have reached an agreement to conduct transactions electronically include the following:

A. Automaker and supplier enter into a Trading Partner Agreement setting forth the terms, conditions and methods for the conduct of business between them electronically.

B. Joe gives out his business card with his business e-mail address. It may be reasonable, under the circumstances, for a recipient of the card to infer that Joe has agreed to communicate electronically for business purposes. However, in the absence of additional facts, it would not necessarily be reasonable to infer Joe's agreement to communicate electronically for purposes outside the scope of the business indicated by use of the business card.

C. Sally may have several e-mail addresses - home, main office, office of a non-profit organization on whose board Sally sits. In each case, it may be reasonable to infer that Sally is willing to communicate electronically with respect to business related to the business/purpose associated with the respective e-mail addresses. However, depending on the circumstances, it may not be reasonable to communicate with Sally for purposes other than those related to the purpose for which she maintained a particular e-mail account.

D. Among the circumstances to be considered in finding an agreement would be the time when the assent occurred relative to the timing of the use of electronic communications. If one orders books from an on-line vendor, such as Bookseller.com, the intention to conduct that transaction and to receive any correspondence related to the transaction electronically can be inferred from the conduct. Accordingly, as to information related to that transaction it is reasonable for Bookseller to deal with the individual electronically.

The examples noted above are intended to focus the inquiry on the party's agreement to conduct a transaction electronically. Similarly, if two people are at a meeting and one tells the other to send an e-mail to confirm a transaction - the requisite agreement under subsection (b) would exist. In each case, the use of a business card, statement at a meeting, or other evidence of willingness to conduct a transaction electronically must be viewed in light of all the surrounding circumstances with a view toward broad validation of electronic transactions.

5. Just as circumstances may indicate the existence of agreement, express or implied from surrounding circumstances, circumstances may also demonstrate the absence of true agreement. For example:

A. If Automaker, Inc. were to issue a recall of automobiles via its Internet website, it would not be able to rely on this Act to validate that notice in the case of a person who never logged on to the website, or indeed, had no ability to do so, notwithstanding a clause in a paper purchase contract by which the buyer agreed to receive such notices in such a manner.

B. Buyer executes a standard form contract in which an agreement to receive all notices electronically is set forth on page 3 in the midst of other fine print. Buyer has never communicated with Seller electronically, and has not provided any other information in the contract to suggest a willingness to deal electronically. Not only is it unlikely that any but the most formalistic of agreements may be found, but nothing in this Act prevents courts from policing such form contracts under common law doctrines relating to contract formation, unconscionability and the like.

6. Subsection (c) has been added to make clear the ability of a party to refuse to conduct a transaction electronically, even if the person has conducted transactions electronically in the past. The effectiveness of a party's refusal to conduct a transaction electronically will be determined under other applicable law in light of all surrounding circumstances. Such circumstances must include an assessment of the transaction involved.

A party's right to decline to act electronically under a specific contract, on the ground that each action under that contract amounts to a separate "transaction," must be considered in light of the purpose of the contract and the action to be taken electronically. For example, under a contract for the purchase of goods, the giving and receipt of notices electronically, as provided in the contract, should not be viewed as discreet transactions. Rather such notices amount to separate actions which are part of the "transaction" of purchase evidenced by the contract. Allowing one party to require a change of medium in the middle of the transaction evidenced by that contract is not the purpose of this subsection. Rather this subsection is intended to preserve the party's right to conduct the next purchase in a non-electronic medium.

7. Subsection (e) is an essential provision in the overall scheme of this Act. While this Act validates and effectuates electronic records and electronic signatures, the legal effect of such records and signatures is left to existing substantive law outside this Act except in very narrow circumstances. See, e.g., Section 16. Even when this Act operates to validate records and signatures in an electronic medium, it expressly preserves the substantive rules of other law applicable to such records. See, e.g., Section 11.

For example, beyond validation of records, signatures and contracts based on the medium used, Section 7 (a) and (b) should not be interpreted as establishing the legal effectiveness of any given record, signature or contract. Where a rule of law requires that the record contain minimum substantive content, the legal effect of such a record will depend on whether the record meets the substantive requirements of other applicable law.

Section 8 expressly preserves a number of legal requirements in currently existing law relating to the presentation of information in writing. Although this Act now would allow such information to be presented in an electronic record, Section 8 provides that the other substantive requirements of law must be satisfied in the electronic medium as well.

SECTION 6. CONSTRUCTION AND APPLICATION. This [Act] must be construed and applied:

(1) to facilitate electronic transactions consistent with other applicable law; (2) to be consistent with reasonable practices concerning electronic transactions and with the continued expansion of those practices; and

(3) to effectuate its general purpose to make uniform the law with respect to the subject of this [Act] among States enacting it.

Comment

1. The purposes and policies of this Act are

(a) to facilitate and promote commerce and governmental transactions by validating and authorizing the use of electronic records and electronic signatures;

(b) to eliminate barriers to electronic commerce and governmental transactions resulting from uncertainties relating to writing and signature requirements;

(c) to simplify, clarify and modernize the law governing commerce and governmental transactions through the use of electronic means;

(d) to permit the continued expansion of commercial and governmental electronic practices through custom, usage and agreement of the parties;

(e) to promote uniformity of the law among the States (and worldwide) relating to the use of electronic and similar technological means of effecting and performing commercial and governmental transactions;

(f) to promote public confidence in the validity, integrity and reliability of electronic commerce and governmental transactions; and

(g) to promote the development of the legal and business infrastructure necessary to implement electronic commerce and governmental transactions.

2. This Act has been drafted to permit flexible application consistent with its purpose to validate electronic transactions. The provisions of this Act validating and effectuating the employ of electronic media allow the courts to apply them to new and unforeseen technologies and practices. As time progresses, it is anticipated that what is new and unforeseen today will be commonplace tomorrow. Accordingly, this legislation is intended to set a framework for the validation of media which may be developed in the future and which demonstrate the same qualities as the electronic media contemplated and validated under this Act.

SECTION 7. LEGAL RECOGNITION OF ELECTRONIC RECORDS, ELECTRONIC SIGNATURES, AND ELECTRONIC CONTRACTS.

(a) A record or signature may not be denied legal effect or enforceability solely because it is in electronic form.

(b) A contract may not be denied legal effect or enforceability solely because an electronic record was used in its formation.

(c) If a law requires a record to be in writing, an electronic record satisfies the law.

(d) If a law requires a signature, an electronic signature satisfies the law.

Source: UNCITRAL Model Law on Electronic Commerce, Articles 5, 6, and 7.

Comment

1. This section sets forth the fundamental premise of this Act: namely, that the medium in which a record, signature, or contract is created, presented or retained does not affect its legal significance. Subsections (a) and (b) are designed to eliminate the single element of medium as a reason to deny effect or enforceability to a record, signature, or contract. The fact that the information is set forth in an electronic, as opposed to paper, record is irrelevant.

2. Under Restatement 2d Contracts Section 8, a contract may have legal effect and yet be unenforceable. Indeed, one circumstance where a record or contract may have effect but be unenforceable is in the context of the Statute of Frauds. Though a contract may be unenforceable, the records may have collateral effects, as in the case of a buyer that insures goods purchased under a contract unenforceable under the Statute of Frauds. The insurance company may not deny a claim on the ground that the buyer is not the owner, though the buyer may have no direct remedy against seller for failure to deliver. See Restatement 2d Contracts, Section 8, Illustration 4.

While this section would validate an electronic record for purposes of a statute of frauds, if an agreement to conduct the transaction electronically cannot reasonably be found (See Section 5(b)) then a necessary predicate to the applicability of this Act would be absent and this Act would not validate the electronic record. Whether the electronic record might be valid under other law is not addressed by this Act.

3. Subsections (c) and (d) provide the positive assertion that electronic records and signatures satisfy legal requirements for writings and signatures. The provisions are limited to requirements in laws that a record be in writing or be signed. This section does not address requirements imposed by other law in addition to requirements for writings and signatures See, e.g., Section 8.

Subsections (c) and (d) are particularized applications of subsection (a). The purpose is to validate and effectuate electronic records and signatures as the equivalent of writings, subject to all of the rules applicable to the efficacy of a writing, except as such other rules are modified by the more specific provisions of this Act.

Illustration 1: A sends the following e-mail to B: "I hereby offer to buy widgets from you, delivery next Tuesday. /s/ A." B responds with the following e-mail: "I accept your offer to buy widgets for delivery next Tuesday. /s/ B." The e-mails may not be denied effect solely because they are electronic. In addition, the e-mails do qualify as records under the Statute of Frauds. However, because there is no quantity stated in either record, the parties' agreement would be unenforceable under existing UCC Section 2-201(1).

Illustration 2: A sends the following e-mail to B: "I hereby offer to buy 100 widgets for \$1000, delivery next Tuesday. /s/ A." B responds with the following e-mail: "I accept your offer to purchase 100 widgets for \$1000, delivery next Tuesday. /s/ B." In this case the analysis is the same as in Illustration 1 except that here the records otherwise satisfy the requirements of UCC Section 2-201(1). The transaction may not be denied legal effect solely because there is not a pen and ink "writing" or "signature".

4. Section 8 addresses additional requirements imposed by other law which may affect the legal effect or enforceability of an electronic record in a particular case. For example, in Section 8(a) the legal requirement addressed is the provision of information in writing. The section then sets forth the standards to be applied in determining whether the provision of information by an electronic record is the equivalent of the provision of information in writing. The requirements in Section 8 are in addition to the bare validation that occurs under this section.

5. Under the substantive law applicable to a particular transaction within this Act, the legal effect of an electronic record may be separate from the issue of whether the record contains a signature. For example, where notice must be given as part of a contractual obligation, the effectiveness of the notice will turn on whether the party provided the notice regardless of whether the notice was signed (See Section 15). An electronic record attributed to a party under Section 9 and complying with the requirements of Section 15 would suffice in that case, notwithstanding that it may not contain an electronic signature.

SECTION 8. PROVISION OF INFORMATION IN WRITING; PRESENTATION OF RECORDS.

(a) If parties have agreed to conduct a transaction by electronic means and a law requires a person to provide, send, or deliver information in writing to another person, the requirement is satisfied if the information is provided, sent, or delivered, as the case may be, in an electronic record capable of retention by the recipient at the time of receipt. An electronic record is not capable of retention by the recipient if the sender or its information processing system inhibits the ability of the recipient to print or store the electronic record.

(b) If a law other than this [Act] requires a record (i) to be posted or displayed in a certain manner, (ii) to be sent, communicated, or transmitted by a specified method, or (iii) to contain information that is formatted in a certain manner, the following rules apply:

(1) The record must be posted or displayed in the manner specified in the other law.

(2) Except as otherwise provided in subsection (d)(2), the record must be sent, communicated, or transmitted by the method specified in the other law.

(3) The record must contain the information formatted in the manner specified in the other law.

(c) If a sender inhibits the ability of a recipient to store or print an electronic record, the electronic record is not enforceable against the recipient.

(d) The requirements of this section may not be varied by agreement, but:

(1) to the extent a law other than this [Act] requires information to be provided, sent, or delivered in writing but permits that requirement to be varied by agreement, the requirement under subsection (a) that the information be in the form of an electronic record capable of retention may also be varied by agreement; and

(2) a requirement under a law other than this [Act] to send, communicate, or transmit a record by [first-class mail, postage prepaid] [regular United States mail], may be varied by agreement to the extent permitted by the other law.

Source: Canadian - Uniform Electronic Commerce Act

Comment

1. This section is a savings provision, designed to assure, consistent with the fundamental purpose of this Act, that otherwise applicable substantive law will not be overridden by this Act. The section makes clear that while the pen and ink provisions of such other law may be satisfied electronically, nothing in this Act vitiates the other requirements of such laws. The section addresses a number of issues related to disclosures and notice provisions in other laws.

2. This section is independent of the prior section. Section 7 refers to legal requirements for a writing. This section refers to legal requirements for the provision of information in writing or relating to the method or manner of presentation or delivery of information. The section addresses more specific legal requirements of other laws, provides standards for satisfying the more particular legal requirements, and defers to other law for satisfaction of requirements under those laws.

3. Under subsection (a), to meet a requirement of other law that information be provided in writing, the recipient of an electronic record of the information must be able to get to the electronic record and read it, and must have the ability to get back to the information in some way at a later date. Accordingly, the section requires that the electronic record be capable of retention for later review.

The section specifically provides that any inhibition on retention imposed by the sender or the sender's system will preclude satisfaction of this section. Use of technological means now existing or later developed which prevents the recipient from retaining a copy the information would result in a determination that information has not been provided under subsection (a). The policies underlying laws requiring the provision of information in writing warrant the imposition of an additional burden on the sender to make the information available in a manner which will permit subsequent reference. A difficulty does exist for senders of information because of the disparate systems of their recipients and the capabilities of those systems. However, in order to satisfy the legal requirement of other law to make information available, the sender must assure that the recipient receives and can retain the information. However, it is left for the courts to determine whether the sender has complied with this subsection if evidence demonstrates that it is something peculiar the recipient's system which precludes subsequent reference to the information.

4. Subsection (b) is a savings provision for laws which provide for the means of delivering or displaying information and which are not affected by the Act. For example, if a law requires delivery of notice by first class US mail, that means of delivery would not be affected by this Act. The information to be delivered may be provided on a disc, i.e., in electronic form, but the particular means of delivery must still be via the US postal service. Display, delivery and formatting requirements will continue to be applicable to electronic records and signatures. If those legal requirements can be satisfied in an electronic medium, e.g., the information can be presented in the equivalent of 20 point bold type as required by other law, this Act will validate the use of the medium, leaving to the other applicable law the question of whether the particular electronic record meets the other legal requirements. If a law requires that particular records be delivered together, or attached to other records, this Act does not preclude the delivery of the records

together in an electronic communication, so long as the records are connected or associated with each other in a way determined to satisfy the other law.

5. Subsection (c) provides incentives for senders of information to use systems which will not inhibit the other party from retaining the information. However, there are circumstances where a party providing certain information may wish to inhibit retention in order to protect intellectual property rights or prevent the other party from retaining confidential information about the sender. In such cases inhibition is understandable, but if the sender wishes to enforce the record in which the information is contained, the sender may not inhibit its retention by the recipient. Unlike subsection (a), subsection (c) applies in all transactions and simply provides for unenforceability against the recipient. Subsection (a) applies only where another law imposes the writing requirement, and subsection (a) imposes a broader responsibility on the sender to assure retention capability by the recipient.

6. The protective purposes of this section justify the non-waivability provided by subsection (d). However, since the requirements for sending and formatting and the like are imposed by other law, to the extent other law permits waiver of such protections, there is no justification for imposing a more severe burden in an electronic environment.

SECTION 9. ATTRIBUTION AND EFFECT OF ELECTRONIC RECORD AND ELECTRONIC SIGNATURE.

(a) An electronic record or electronic signature is attributable to a person if it was the act of the person. The act of the person may be shown in any manner, including a showing of the efficacy of any security procedure applied to determine the person to which the electronic record or electronic signature was attributable.

(b) The effect of an electronic record or electronic signature attributed to a person under subsection (a) is determined from the context and surrounding circumstances at the time of its creation, execution, or adoption, including the parties' agreement, if any, and otherwise as provided by law.

Comment

1. Under subsection (a), so long as the electronic record or electronic signature resulted from a person's action it will be attributed to that person - the legal effect of that attribution is addressed in subsection (b). This section does not alter existing rules of law regarding attribution. The section assures that such rules will be applied in the electronic environment. A person's actions include actions taken by human agents of the person, as well as actions taken by an electronic agent, i.e., the tool, of the person. Although the rule may appear to state the obvious, it assures that the record or signature is not ascribed to a machine, as opposed to the person operating or programming the machine.

In each of the following cases, both the electronic record and electronic signature would be attributable to a person under subsection (a):

A. The person types his/her name as part of an e-mail purchase order;

B. The person's employee, pursuant to authority, types the person's name as part of an e-mail purchase order;

C. The person's computer, programmed to order goods upon receipt of inventory information within particular parameters, issues a purchase order which includes the person's name, or other identifying information, as part of the order.

In each of the above cases, law other than this Act would ascribe both the signature and the action to the person if done in a paper medium. Subsection (a) expressly provides that the same result will occur when an electronic medium is used.

2. Nothing in this section affects the use of a signature as a device for attributing a record to a person. Indeed, a signature is often the primary method for attributing a record to a person. In the foregoing examples, once the electronic signature is attributed to the person, the electronic record would also be attributed to the person, unless the person established fraud, forgery, or other invalidating cause. However, a signature is not the only method for attribution.

3. The use of facsimile transmissions provides a number of examples of attribution using information other than a signature. A facsimile may be attributed to a person because of the information printed across the top of the page that indicates the machine from which it was sent. Similarly, the transmission may contain a letterhead which identifies the sender. Some cases have held that the letterhead actually constituted a signature because it was a symbol adopted by the sender with intent to authenticate the facsimile. However, the signature determination resulted from the necessary finding of intention in that case. Other cases have found facsimile letterheads NOT to be signatures because the requisite intention was not present. The critical point is that with or without a signature, information within the electronic record may well suffice to provide the facts resulting in attribution of an electronic record to a particular party.

In the context of attribution of records, normally the content of the record will provide the necessary information for a finding of attribution. It is also possible that an established course of dealing between parties may result in a finding of attribution. Just as with a paper record, evidence of forgery or counterfeiting may be introduced to rebut the evidence of attribution.

4. Certain information may be present in an electronic environment that does not appear to attribute but which clearly links a person to a particular record. Numerical codes, personal identification numbers, public and private key combinations all serve to establish the party to whom an electronic record should be attributed. Of course security procedures will be another piece of evidence available to establish attribution.

The inclusion of a specific reference to security procedures as a means of proving attribution is salutary because of the unique importance of security procedures in the electronic environment. In certain processes, a technical and technological security procedure may be the best way to convince a trier of fact that a particular electronic record or signature was that of a particular person. In certain circumstances, the use of a security procedure to establish that the record and related signature came from the person's business might be necessary to overcome a claim that a hacker intervened. The reference to security procedures is not intended to suggest that other forms of proof of attribution should be accorded less persuasive effect. It is also important to recall that the particular strength of a given procedure does not affect the procedure's status as a security procedure, but only affects the weight to be accorded the evidence of the security procedure as tending to establish attribution.

5. This section does apply in determining the effect of a "click-through" transaction. A "click-through" transaction involves a process which, if executed with an intent to "sign," will be an electronic signature. See definition of Electronic Signature. In the context of an anonymous "click-through," issues of proof will be paramount. This section will be relevant to establish that the resulting electronic record is attributable to a particular person upon the requisite proof, including security procedures which may track the source of the click-through.

6. Once it is established that a record or signature is attributable to a particular party, the effect of a record or signature must be determined in light of the context and surrounding circumstances, including the parties' agreement, if any. Also informing the effect of any attribution will be other legal requirements considered in light of the context. Subsection (b) addresses the effect of the record or signature once attributed to a person.

SECTION 10. EFFECT OF CHANGE OR ERROR. If a change or error in an electronic record occurs in a transmission between parties to a transaction, the following rules apply:

(1) If the parties have agreed to use a security procedure to detect changes or errors and one party has conformed to the procedure, but the other party has not, and the nonconforming party would have detected the change or error had that party also conformed, the conforming party may avoid the effect of the changed or erroneous electronic record.

(2) In an automated transaction involving an individual, the individual may avoid the effect of an electronic record that resulted from an error made by the individual in dealing with the electronic agent of another person if the electronic agent did not provide an opportunity for the prevention or correction of the error and, at the time the individual learns of the error, the individual:

(A) promptly notifies the other person of the error and that the individual did not intend to be bound by the electronic record received by the other person;

(B) takes reasonable steps, including steps that conform to the other person's reasonable instructions, to return to the other person or, if instructed by the other person, to destroy the consideration received, if any, as a result of the erroneous electronic record; and

(C) has not used or received any benefit or value from the consideration, if any, received from the other person.

(3) If neither paragraph (1) nor paragraph (2) applies, the change or error has the effect provided by other law, including the law of mistake, and the parties' contract, if any.

(4) Paragraphs (2) and (3) may not be varied by agreement.

Source: Restatement 2d Contracts, Sections 152-155.

Comment

1. This section is limited to changes and errors occurring in transmissions between parties - whether person-person (paragraph 1) or in an automated transaction involving an individual and a machine (paragraphs 1 and 2). The section focuses on the effect of changes and errors occurring when records are exchanged between parties. In cases where changes and errors occur in contexts other than transmission, the law of mistake is expressly made applicable to resolve the conflict.

The section covers both changes and errors. For example, if Buyer sends a message to Seller ordering 100 widgets, but Buyer's information processing system changes the order to 1000 widgets, a "change" has occurred between what Buyer transmitted and what Seller received. If on the other hand, Buyer typed in 1000 intending to order only 100, but sent the message before noting the mistake, an error would have occurred which would also be covered by this section.

2. Paragraph (1) deals with any transmission where the parties have agreed to use a security procedure to detect changes and errors. It operates against the non-conforming party, i.e., the party in the best position to have avoided the change or error, regardless of whether that person is the sender or recipient. The source of the error/change is not indicated, and so both human and machine errors/changes would be covered. With respect to errors or changes that would not be detected by the security procedure even if applied, the parties are left to the general law of mistake to resolve the dispute.

3. Paragraph (1) applies only in the situation where a security procedure would detect the error/change but one party fails to use the procedure and does not detect the error/change. In such a case, consistent with the law of mistake generally, the record is made avoidable at the instance of the party who took all available steps to avoid the mistake. See Restatement 2d Contracts Sections 152-154.

Making the erroneous record avoidable by the conforming party is consistent with Sections 153 and 154 of the Restatement 2d Contracts because the non-conforming party was in the best position to avoid the problem, and would bear the risk of mistake. Such a case would constitute mistake by one party. The mistaken party (the conforming party) would be entitled to avoid any resulting contract under Section 153 because s/he does not have the risk of mistake and the non-conforming party had reason to know of the mistake.

4. As with paragraph (1), paragraph (2), when applicable, allows the mistaken party to avoid the effect of the erroneous electronic record. However, the subsection is limited to human error on the part of an individual when dealing with the electronic agent of the other party. In a transaction between individuals there is a greater ability to correct the error before parties have acted on it. However, when an individual makes an error while dealing with the electronic agent of the other party, it may not be possible to correct the error before the other party has shipped or taken other action in reliance on the erroneous record.

Paragraph (2) applies only to errors made by individuals. If the error results from the electronic agent, it would constitute a system error. In such a case the effect of that error would be resolved under paragraph (1) if applicable, otherwise under paragraph (3) and the general law of mistake.

5. The party acting through the electronic agent/machine is given incentives by this section to build in safeguards which enable the individual to prevent the sending of an erroneous record, or correct the error once sent. For example, the electronic agent may be programmed to provide a "confirmation screen" to the individual setting forth all the information the individual initially approved. This would provide the individual with the ability to prevent the erroneous record from ever being sent. Similarly, the electronic agent might receive the record sent by the individual and then send back a confirmation which the individual must again accept before the transaction is completed. This would allow for correction of an erroneous record. In either case, the electronic agent would "provide an opportunity for prevention or correction of the error," and the subsection would not apply. Rather, the affect of any error is governed by other law.

6. Paragraph (2) also places additional requirements on the mistaken individual before the paragraph may be invoked to avoid an erroneous electronic record. The individual must take prompt action to advise the other party of the error and the fact that the individual did not intend the electronic record. Whether the action is prompt must be determined from all the circumstances including the individual's ability to contact the other party. The individual should advise the other party both of the error and of the lack of intention to be bound (i.e., avoidance) by the electronic record received. Since this provision allows avoidance by the mistaken party, that party should also be required to expressly note that it is seeking to avoid the electronic record, i.e., lacked the intention to be bound.

Second, restitution is normally required in order to undo a mistaken transaction. Accordingly, the individual must also return or destroy any consideration received, adhering to instructions from the other party in any case. This is to assure that the other party retains control over the consideration sent in error.

Finally, and most importantly in regard to transactions involving intermediaries which may be harmed because transactions cannot be unwound, the individual cannot have received any benefit from the transaction. This section prevents a party from unwinding a transaction after the delivery of value and consideration which cannot be returned or destroyed. For example, if the consideration received is information, it may not be possible to avoid the benefit conferred. While the information itself could be returned, mere access to the information, or the ability to redistribute the information would constitute a benefit precluding the mistaken party from unwinding the transaction. It may also occur that the mistaken party receives consideration which changes in value between the time of receipt and the first opportunity to return. In such a case restitution cannot be made adequately, and the transaction would not be avoidable. In each of the foregoing cases, under subparagraph (2)(c), the individual would have received

the benefit of the consideration and would NOT be able to avoid the erroneous electronic record under this section.

7. In all cases not covered by paragraphs (1) or (2), where error or change to a record occur, the parties contract, or other law, specifically including the law of mistake, applies to resolve any dispute. In the event that the parties' contract and other law would achieve different results, the construction of the parties' contract is left to the other law. If the error occurs in the context of record retention, Section 12 will apply. In that case the standard is one of accuracy and retrievability of the information.

8. Paragraph (4) makes the error correction provision in paragraph (2) and the application of the law of mistake in paragraph (3) non-variable. Paragraph (2) provides incentives for parties using electronic agents to establish safeguards for individuals dealing with them. It also avoids unjustified windfalls to the individual by erecting stringent requirements before the individual may exercise the right of avoidance under the paragraph. Therefore, there is no reason to permit parties to avoid the paragraph by agreement. Rather, parties should satisfy the paragraph's requirements.

SECTION 11. NOTARIZATION AND ACKNOWLEDGMENT. If a law requires a signature or record to be notarized, acknowledged, verified, or made under oath, the requirement is satisfied if the electronic signature of the person authorized to perform those acts, together with all other information required to be included by other applicable law, is attached to or logically associated with the signature or record.

Comment

This section permits a notary public and other authorized officers to act electronically, effectively removing the stamp/seal requirements. However, the section does not eliminate any of the other requirements of notarial laws, and consistent with the entire thrust of this Act, simply allows the signing and information to be accomplished in an electronic medium.

For example, Buyer wishes to send a notarized Real Estate Purchase Agreement to Seller via e-mail. The notary must appear in the room with the Buyer, satisfy him/herself as to the identity of the Buyer, and swear to that identification. All that activity must be reflected as part of the electronic Purchase Agreement and the notary's electronic signature must appear as a part of the electronic real estate purchase contract.

As another example, Buyer seeks to send Seller an affidavit averring defects in the products received. A court clerk, authorized under state law to administer oaths, is present with Buyer in a room. The Clerk administers the oath and includes the statement of the oath, together with any other requisite information, in the electronic record to be sent to the Seller. Upon administering the oath and witnessing the application of Buyer's electronic signature to the electronic record, the Clerk also applies his electronic signature to the electronic record. So long as all substantive requirements of other applicable law have been fulfilled and are reflected in the electronic record, the sworn electronic record of Buyer is as effective as if it had been transcribed on paper.

SECTION 12. RETENTION OF ELECTRONIC RECORDS; ORIGINALS.

(a) If a law requires that a record be retained, the requirement is satisfied by retaining an electronic record of the information in the record which:

(1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and

(2) remains accessible for later reference.

(b) A requirement to retain a record in accordance with subsection (a) does not apply to any information the sole purpose of which is to enable the record to be sent, communicated, or received.

(c) A person may satisfy subsection (a) by using the services of another person if the requirements of that subsection are satisfied.

(d) If a law requires a record to be presented or retained in its original form, or provides consequences if the record is not presented or retained in its original form, that law is satisfied by an electronic record retained in accordance with subsection (a).

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a).

(f) A record retained as an electronic record in accordance with subsection (a) satisfies a law requiring a person to retain a record for evidentiary, audit, or like purposes, unless a law enacted after the effective date of this [Act] specifically prohibits the use of an electronic record for the specified purpose.

(g) This section does not preclude a governmental agency of this State from specifying additional requirements for the retention of a record subject to the agency's jurisdiction.

Source: UNCITRAL Model Law On Electronic Commerce Articles 8 and 10.

Comment

1. This section deals with the serviceability of electronic records as retained records and originals. So long as there exists reliable assurance that the electronic record accurately reproduces the information, this section continues the theme of establishing the functional equivalence of electronic and paper-based records. This is consistent with Fed.R.Evid. 1001(3) and Unif.R.Evid. 1001(3) (1974). This section assures that information stored electronically will remain effective for all audit, evidentiary, archival and similar purposes.

2. In an electronic medium, the concept of an original document is problematic. For example, as one drafts a document on a computer the "original" is either on a disc or the hard drive to which the document has been initially saved. If one periodically saves the draft, the fact is that at times a document may be first saved to disc then to hard drive, and at others vice versa. In such a case the "original" may change from the information on the disc to the information on the hard drive. Indeed, it may be argued that the "original" exists solely in RAM and, in a sense, the original is destroyed when a "copy" is saved to a disc or to the hard drive. In any event, in the context of record retention, the concern focuses on the integrity of the information, and not with its "originality."

3. Subsection (a) requires accuracy and the ability to access at a later time. The requirement of accuracy is derived from the Uniform and Federal Rules of Evidence. The requirement of continuing accessibility addresses the issue of technology obsolescence and the need to update and migrate information to developing systems. It is not unlikely that within the span of 5-10 years (a period during which retention of much information is required) a corporation may evolve through one or more generations of technology. More to the point, this technology may be incompatible with each other necessitating the reconversion of information from one system to the other.

For example, certain operating systems from the early 1980's, e.g., memory typewriters, became obsolete with the development of personal computers. The information originally stored on the memory typewriter would need to be converted to the personal computer system in a way meeting the standards for accuracy contemplated by this section. It is also possible that the medium on which the information is stored is less stable. For example, information stored on floppy discs is generally less stable, and subject to a greater threat of disintegration, than information stored on a computer hard drive. In either case, the continuing accessibility issue must be satisfied to validate information stored by electronic means under this section.

This section permits parties to convert original written records to electronic records for retention so long as the requirements of subsection (a) are satisfied. Accordingly, in the absence of specific requirements to retain written records, written records may be destroyed once saved as electronic records satisfying the requirements of this section.

The subsection refers to the information contained in an electronic record, rather than relying on the term electronic record, as a matter of clarity that the critical aspect in retention is the information itself. What information must be retained is determined by the purpose for which the information is needed. If the addressing and pathway information regarding an e-mail is relevant, then that information should also be retained. However if it is the substance of the e-mail that is relevant, only that information need be retained. Of course, wise record retention would include all such information since what information will be relevant at a later time will not be known.

4. Subsections (b) and (c) simply make clear that certain ancillary information or the use of third parties, does not affect the serviceability of records and information retained electronically. Again, the relevance of particular information will not be known until that information is required at a subsequent time.

5. Subsection (d) continues the theme of the Act as validating electronic records as originals where the law requires retention of an original. The validation of electronic records and electronic information as originals is consistent with the Uniform Rules of Evidence. See Uniform Rules of Evidence 1001(3), 1002, 1003 and 1004.

6. Subsection (e) specifically addresses particular concerns regarding check retention statutes in many jurisdictions. A Report compiled by the Federal Reserve Bank of Boston identifies hundreds of state laws which require the retention or production of original canceled checks. Such requirements preclude banks and their customers from realizing the benefits and efficiencies related to truncation processes otherwise validated under current law. The benefits to banks and their customers from electronic check retention are effectuated by this provision.

7. Subsections (f) and (g) generally address other record retention statutes. As with check retention, all businesses and individuals may realize significant savings from electronic record retention. So long as the standards in Section 12 are satisfied, this section permits all parties to obtain those benefits. As always the government may require records in any medium, however, these subsections require a governmental agency to specifically identify the types of records and requirements that will be imposed.

SECTION 13. ADMISSIBILITY IN EVIDENCE. In a proceeding, evidence of a record or signature may not be excluded solely because it is in electronic form.

Source: UNCITRAL Model Law on Electronic Commerce Article 9.

Comment

Like Section 7, this section prevents the nonrecognition of electronic records and signatures solely on the ground of the media in which information is presented.

Nothing in this section relieves a party from establishing the necessary foundation for the admission of an electronic record. See Uniform Rules of Evidence 1001(3), 1002,1003 and 1004.

SECTION 14. AUTOMATED TRANSACTION. In an automated transaction, the following rules apply:

(1) A contract may be formed by the interaction of electronic agents of the parties, even if no individual was aware of or reviewed the electronic agents' actions or the resulting terms and agreements.

(2) A contract may be formed by the interaction of an electronic agent and an individual, acting on the individual's own behalf or for another person, including by an interaction in which the individual

performs actions that the individual is free to refuse to perform and which the individual knows or has reason to know will cause the electronic agent to complete the transaction or performance.

(3) The terms of the contract are determined by the substantive law applicable to it.

Source: UNICTRAL Model Law on Electronic Commerce Article 11.

Comment

1. This section confirms that contracts can be formed by machines functioning as electronic agents for parties to a transaction. It negates any claim that lack of human intent, at the time of contract formation, prevents contract formation. When machines are involved, the requisite intention flows from the programming and use of the machine. As in other cases, these are salutary provisions consistent with the fundamental purpose of the Act to remove barriers to electronic transactions while leaving the substantive law, e.g., law of mistake, law of contract formation, unaffected to the greatest extent possible.

2. The process in paragraph (2) validates an anonymous click-through transaction. It is possible that an anonymous click-through process may simply result in no recognizable legal relationship, e.g., A goes to a person's website and acquires access without in any way identifying herself, or otherwise indicating agreement or assent to any limitation or obligation, and the owner's site grants A access. In such a case no legal relationship has been created.

On the other hand it may be possible that A's actions indicate agreement to a particular term. For example, A goes to a website and is confronted by an initial screen which advises her that the information at this site is proprietary, that A may use the information for her own personal purposes, but that, by clicking below, A agrees that any other use without the site owner's permission is prohibited. If A clicks "agree" and downloads the information and then uses the information for other, prohibited purposes, should not A be bound by the click? It seems the answer properly should be, and would be, yes.

If the owner can show that the only way A could have obtained the information was from his website, and that the process to access the subject information required that A must have clicked the "I agree" button after having the ability to see the conditions on use, A has performed actions which A was free to refuse, which A knew would cause the site to grant her access, i.e., "complete the transaction." The terms of the resulting contract will be determined under general contract principles, but will include the limitation on A's use of the information, as a condition precedent to granting her access to the information.

3. In the transaction set forth in Comment 2, the record of the transaction also will include an electronic signature. By clicking "I agree" A adopted a process with the intent to "sign," i.e., bind herself to a legal obligation, the resulting record of the transaction. If a "signed writing" were required under otherwise applicable law, this transaction would be enforceable. If a "signed writing" were not required, it may be sufficient to establish that the electronic record is attributable to A under Section 9. Attribution may be shown in any manner reasonable including showing that, of necessity, A could only have gotten the information through the process at the website.

SECTION 15. TIME AND PLACE OF SENDING AND RECEIPT.

(a) Unless otherwise agreed between the sender and the recipient, an electronic record is sent when it:

(1) is addressed properly or otherwise directed properly to an information processing system that the recipient has designated or uses for the purpose of receiving electronic records or information of the type sent and from which the recipient is able to retrieve the electronic record;

(2) is in a form capable of being processed by that system; and

(3) enters an information processing system outside the control of the sender or of a person that sent the electronic record on behalf of the sender or enters a region of the information processing system designated or used by the recipient which is under the control of the recipient.

(b) Unless otherwise agreed between a sender and the recipient, an electronic record is received when:

(1) it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic records or information of the type sent and from which the recipient is able to retrieve the electronic record; and

(2) it is in a form capable of being processed by that system.

(c) Subsection (b) applies even if the place the information processing system is located is different from the place the electronic record is deemed to be received under subsection (d).

(d) Unless otherwise expressly provided in the electronic record or agreed between the sender and the recipient, an electronic record is deemed to be sent from the sender's place of business and to be received at the recipient's place of business. For purposes of this subsection, the following rules apply:

(1) If the sender or recipient has more than one place of business, the place of business of that person is the place having the closest relationship to the underlying transaction.

(2) If the sender or the recipient does not have a place of business, the place of business is the sender's or recipient's residence, as the case may be.

(e) An electronic record is received under subsection (b) even if no individual is aware of its receipt.

(f) Receipt of an electronic acknowledgment from an information processing system described in subsection (b) establishes that a record was received but, by itself, does not establish that the content sent corresponds to the content received.

(g) If a person is aware that an electronic record purportedly sent under subsection (a), or purportedly received under subsection (b), was not actually sent or received, the legal effect of the sending or receipt is determined by other applicable law. Except to the extent permitted by the other law, the requirements of this subsection may not be varied by agreement.

Source: UNCITRAL Model Law on Electronic Commerce Article 15.

Comment

1. This section provides default rules regarding when and from where an electronic record is sent and when and where an electronic record is received. This section does not address the efficacy of the record that is sent or received. That is, whether a record is unintelligible or unusable by a recipient is a separate issue from whether that record was sent or received. The effectiveness of an illegible record, whether it binds any party, are questions left to other law.

2. Subsection (a) furnishes rules for determining when an electronic record is sent. The effect of the sending and its import are determined by other law once it is determined that a sending has occurred.

In order to have a proper sending, the subsection requires that information be properly addressed or otherwise directed to the recipient. In order to send within the meaning of this section, there must be specific information which will direct the record to the intended recipient. Although mass electronic sending is not precluded, a general broadcast message, sent to systems rather than individuals, would not suffice as a sending.

The record will be considered sent once it leaves the control of the sender, or comes under the control of the recipient. Records sent through e-mail or the internet will pass through many different server systems. Accordingly, the critical element when more than one system is involved is the loss of control by the sender.

However, the structure of many message delivery systems is such that electronic records may actually never leave the control of the sender. For example, within a university or corporate setting, e-mail sent within the system to another faculty member is technically not out of the sender's control since it never leaves the organization's server. Accordingly, to qualify as a sending, the e-mail must arrive at a point where the recipient has control. This section does not address the effect of an electronic record that is thereafter "pulled back," e.g., removed from a mailbox. The analog in the paper world would be removing a letter from a person's mailbox. As in the case of providing information electronically under Section 8, the recipient's ability to receive a message should be judged from the perspective of whether the sender has done any action which would preclude retrieval. This is especially the case in regard to sending, since the sender must direct the record to a system designated or used by the recipient.

3. Subsection (b) provides simply that when a record enters the system which the recipient has designated or uses and to which it has access, in a form capable of being processed by that system, it is received. Keying receipt to a system accessible by the recipient removes the potential for a recipient leaving messages with a server or other service in order to avoid receipt. However, the section does not resolve the issue of how the sender proves the time of receipt.

To assure that the recipient retains control of the place of receipt, subsection (b) requires that the system be specified or used by the recipient, and that the system be used or designated for the type of record being sent. Many people have multiple e-mail addresses for different purposes. Subsection (b) assures that recipients can designate the e-mail address or system to be used in a particular transaction. For example, the recipient retains the ability to designate a home e-mail for personal matters, work e-mail for official business, or a separate organizational e-mail solely for the business purposes of that organization. If A sends B a notice at his home which relates to business, it may not be deemed received if B designated his business address as the sole address for business purposes. Whether actual knowledge upon seeing it at home would qualify as receipt is determined under the otherwise applicable substantive law.

4. Subsections (c) and (d) provide default rules for determining where a record will be considered to have been sent or received. The focus is on the place of business of the recipient and not the physical location of the information processing system, which may bear absolutely no relation to the transaction between the parties. It is not uncommon for users of electronic commerce to communicate from one State to another without knowing the location of information systems through which communication is operated. In addition, the location of certain communication systems may change without either of the parties being aware of the change. Accordingly, where the place of sending or receipt is an issue under other applicable law, e.g., conflict of laws issues, tax issues, the relevant location should be the location of the sender or recipient and not the location of the information processing system.

Subsection (d) assures individual flexibility in designating the place from which a record will be considered sent or at which a record will be considered received. Under subsection (d) a person may designate the place of sending or receipt unilaterally in an electronic record. This ability, as with the ability to designate by agreement, may be limited by otherwise applicable law to places having a reasonable relationship to the transaction.

5. Subsection (e) makes clear that receipt is not dependent on a person having notice that the record is in the person's system. Receipt occurs when the record reaches the designated system whether or not the recipient ever retrieves the record. The paper analog is the recipient who never reads a mail notice.

6. Subsection (f) provides legal certainty regarding the effect of an electronic acknowledgment. It only addresses the fact of receipt, not the quality of the content, nor whether the electronic record was read or "opened."

7. Subsection (g) limits the parties' ability to vary the method for sending and receipt provided in subsections (a) and (b), when there is a legal requirement for the sending or receipt. As in other circumstances where legal requirements derive from other substantive law, to the extent that the other law permits variation by agreement, this Act does not impose any additional requirements, and provisions of this Act may be varied to the extent provided in the other law.

SECTION 16. TRANSFERABLE RECORDS.

(a) In this section, "transferable record" means an electronic record that:

(1) would be a note under [Article 3 of the Uniform Commercial Code] or a document under [Article 7 of the Uniform Commercial Code] if the electronic record were in writing; and

(2) the issuer of the electronic record expressly has agreed is a transferable record.

(b) A person has control of a transferable record if a system employed for evidencing the transfer of interests in the transferable record reliably establishes that person as the person to which the transferable record was issued or transferred.

(c) A system satisfies subsection (b), and a person is deemed to have control of a transferable record, if the transferable record is created, stored, and assigned in such a manner that:

(1) a single authoritative copy of the transferable record exists which is unique, identifiable, and, except as otherwise provided in paragraphs (4), (5), and (6), unalterable;

(2) the authoritative copy identifies the person asserting control as:

(A) the person to which the transferable record was issued; or

(B) if the authoritative copy indicates that the transferable record has been transferred, the person to which the transferable record was most recently transferred;

(3) the authoritative copy is communicated to and maintained by the person asserting control or its designated custodian;

(4) copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the consent of the person asserting control;

(5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy; and

(6) any revision of the authoritative copy is readily identifiable as authorized or unauthorized.

(d) Except as otherwise agreed, a person having control of a transferable record is the holder, as defined in [Section 1-201(20) of the Uniform Commercial Code], of the transferable record and has the same rights and defenses as a holder of an equivalent record or writing under [the Uniform Commercial Code], including, if the applicable statutory requirements under [Section 3-302(a), 7-501, or 9-308 of the Uniform Commercial Code] are satisfied, the rights and defenses of a holder in due course, a holder to which a negotiable document of title has been duly negotiated, or a purchaser, respectively. Delivery, possession, and indorsement are not required to obtain or exercise any of the rights under this subsection.

(e) Except as otherwise agreed, an obligor under a transferable record has the same rights and defenses as an equivalent obligor under equivalent records or writings under [the Uniform Commercial Code].

(f) If requested by a person against which enforcement is sought, the person seeking to enforce the transferable record shall provide reasonable proof that the person is in control of the transferable record. Proof may include access to the authoritative copy of the transferable record and related business records sufficient to review the terms of the transferable record and to establish the identity of the person having control of the transferable record.

Source: Revised Article 9, Section 9-105.

Comment

1. Paper negotiable instruments and documents are unique in the fact that a tangible token - a piece of paper - actually embodies intangible rights and obligations. The extreme difficulty of creating a unique electronic token which embodies the singular attributes of a paper negotiable document or instrument dictates that the rules relating to negotiable documents and instruments not be simply amended to allow the use of an electronic record for the requisite paper writing. However, the desirability of establishing rules by which business parties might be able to acquire some of the benefits of negotiability in an electronic environment is recognized by the inclusion of this section on Transferable Records.

This section provides legal support for the creation, transferability and enforceability of electronic note and document equivalents, as against the issuer/obligor. The certainty created by the section provides the requisite incentive for industry to develop the systems and processes, which involve significant expenditures of time and resources, to enable the use of such electronic documents.

The importance of facilitating the development of systems which will permit electronic equivalents is a function of cost, efficiency and safety for the records. The storage cost and space needed for the billions of paper notes and documents is phenomenal. Further, natural disasters can wreak havoc on the ability to meet legal requirements for retaining, retrieving and delivering paper instruments. The development of electronic systems meeting the rigorous standards of this section will permit retention of copies which reflect the same integrity as the original. As a result storage, transmission and other costs will be reduced, while security and the ability to satisfy legal requirements governing such paper records will be enhanced.

Section 16 provides for the creation of an electronic record which may be controlled by the holder, who in turn may obtain the benefits of holder in due course and good faith purchaser status. If the benefits and efficiencies of electronic media are to be realized in this industry it is essential to establish a means by which transactions involving paper promissory notes may be accomplished completely electronically. Particularly as other aspects of such transactions are accomplished electronically, the drag on the transaction of requiring a paper note becomes evident. In addition to alleviating the logistical problems of generating, storing and retrieving paper, the mailing and transmission costs associated with such transactions will also be reduced.

2. The definition of transferable record is limited in two significant ways. First, only the equivalent of paper promissory notes and paper documents of title can be created as transferable records. Notes and Documents of Title do not impact the broad systems that relate to the broader payments mechanisms related, for example, to checks. Impacting the check collection system by allowing for "electronic checks" has ramifications well beyond the ability of this Act to address. Accordingly, this Act excludes from its scope transactions governed by UCC Articles 3 and 4. The limitation to promissory note equivalents in Section 16 is quite important in that regard because of the ability to deal with many enforcement issues by contract without affecting such systemic concerns.

Second, not only is Section 16 limited to electronic records which would qualify as negotiable promissory notes or documents if they were in writing, but the issuer of the electronic record must expressly agree

that the electronic record is to be considered a transferable record. The definition of transferable record as "an electronic record that...the issuer of the electronic record expressly has agreed is a transferable record" indicates that the electronic record itself will likely set forth the issuer's agreement, though it may be argued that a contemporaneous electronic or written record might set forth the issuer's agreement. However, conversion of a paper note issued as such would not be possible because the issuer would not be the issuer, in such a case, of an electronic record. The purpose of such a restriction is to assure that transferable records can only be created at the time of issuance by the obligor. The possibility that a paper note might be converted to an electronic record and then intentionally destroyed, and the effect of such action, was not intended to be covered by Section 16.

The requirement that the obligor expressly agree in the electronic record to its treatment as a transferable record does not otherwise affect the characterization of a transferable record (i.e., does not affect what would be a paper note) because it is a statutory condition. Further, it does not obligate the issuer to undertake to do any other act than the payment of the obligation evidenced by the transferable record. Therefore, it does not make the transferable record "conditional" within the meaning of Section 3-104(a)(3) of the Uniform Commercial Code.

3. Under Section 16 acquisition of "control" over an electronic record serves as a substitute for "possession" in the paper analog. More precisely, "control" under Section 16 serves as the substitute for delivery, indorsement and possession of a negotiable promissory note or negotiable document of title. Section 16(b) allows control to be found so long as "a system employed for evidencing the transfer of interests in the transferable record reliably establishes [the person claiming control] as the person to which the transferable record was issued or transferred." The key point is that a system, whether involving third party registry or technological safeguards, must be shown to reliably establish the identity of the person entitled to payment. Section 16(c) then sets forth a safe harbor list of very strict requirements for such a system. The specific provisions listed in Section 16(c) are derived from Section 105 of Revised Article 9 of the Uniform Commercial Code. Generally, the transferable record must be unique, identifiable, and except as specifically permitted, unalterable. That "authoritative copy" must (i) identify the person claiming control as the person to whom the record was issued or most recently transferred, (ii) be maintained by the person claiming control or its designee, and (iii) be unalterable except with the permission of the person claiming control. In addition any copy of the authoritative copy must be readily identifiable as a copy and all revisions must be readily identifiable as authorized or unauthorized.

The control requirements may be satisfied through the use of a trusted third party registry system. Such systems are currently in place with regard to the transfer of securities entitlements under Article 8 of the Uniform Commercial Code, and in the transfer of cotton warehouse receipts under the program sponsored by the United States Department of Agriculture. This Act would recognize the use of such a system so long as the standards of subsection (c) were satisfied. In addition, a technological system which met such exacting standards would also be permitted under Section 16.

For example, a borrower signs an electronic record which would be a promissory note or document if it were paper. The borrower specifically agrees in the electronic record that it will qualify as a transferable record under this section. The lender implements a newly developed technological system which dates, encrypts, and stores all the electronic information in the transferable record in a manner which lender can demonstrate reliably establishes lender as the person to which the transferable record was issued. In the alternative, the lender may contract with a third party to act as a registry for all such transferable records, retaining records establishing the party to whom the record was issued and all subsequent transfers of the record. An example of this latter method for assuring control is the system established for the issuance and transfer of electronic cotton warehouse receipts under 7 C.F.R. section 735 et seq.

Of greatest importance in the system used is the ability to securely and demonstrably be able to transfer the record to others in a manner which assures that only one "holder" exists. The need for such certainty

and security resulted in the very stringent standards for a system outlined in subsection (c). A system relying on a third party registry is likely the most effective way to satisfy the requirements of subsection (c) that the transferable record remain unique, identifiable and unalterable, while also providing the means to assure that the transferee is clearly noted and identified.

It must be remembered that Section 16 was drafted in order to provide sufficient legal certainty regarding the rights of those in control of such electronic records, that legal incentives would exist to warrant the development of systems which would establish the requisite control. During the drafting of Section 16, representatives from the Federal Reserve carefully scrutinized the impact of any electronicization of any aspect of the national payment system. Section 16 represents a compromise position which, as noted, serves as a bridge pending more detailed study and consideration of what legal changes, if any, are necessary or appropriate in the context of the payment systems impacted. Accordingly, Section 16 provides limited scope for the attainment of important rights derived from the concept of negotiability, in order to permit the development of systems which will satisfy its strict requirements for control.

4. It is important to note what the section does not provide. Issues related to enforceability against intermediate transferees and transferors (i.e., indorser liability under a paper note), warranty liability that would attach in a paper note, and issues of the effect of taking a transferable record on the underlying obligation, are NOT addressed by this section. Such matters must be addressed, if at all, by contract between and among the parties in the chain of transmission and transfer of the transferable record. In the event that such matters are not addressed by the contract, the issues would need to be resolved under otherwise applicable law. Other law may include general contract principles of assignment and assumption, or may include rules from Article 3 of the Uniform Commercial Code applied by analogy.

For example, Issuer agrees to pay a debt by means of a transferable record issued to A. Unless there is agreement between issuer and A that the transferable record "suspends" the underlying obligation (see Section 3-310 of the Uniform Commercial Code), A would not be prevented from enforcing the underlying obligation without the transferable record. Similarly, if A transfers the transferable record to B by means granting B control, B may obtain holder in due course rights against the obligor/issuer, but B's recourse against A would not be clear unless A agreed to remain liable under the transferable record. Although the rules of Article 3 may be applied by analogy in an appropriate context, in the absence of an express agreement in the transferable record or included by applicable system rules, the liability of the transferor would not be clear.

5. Current business models exist which rely for their efficacy on the benefits of negotiability. A principal example, and one which informed much of the development of Section 16, involves the mortgage backed securities industry. Aggregators of commercial paper acquire mortgage secured promissory notes following a chain of transfers beginning with the origination of the mortgage loan by a mortgage broker. In the course of the transfers of this paper, buyers of the notes and lenders/secured parties for these buyers will intervene. For the ultimate purchaser of the paper, the ability to rely on holder in due course and good faith purchaser status creates the legal security necessary to issue its own investment securities which are backed by the obligations evidenced by the notes purchased. Only through their HIDC status can these purchasers be assured that third party claims will be barred. Only through their HIDC status can the end purchaser avoid the incredible burden of requiring and assuring that each person in the chain of transfer has waived any and all defenses to performance which may be created during the chain of transfer.

6. This section is a stand-alone provision. Although references are made to specific provisions in Article 3, Article 7, and Article 9 of the Uniform Commercial Code, these provisions are incorporated into this Act and made the applicable rules for purposes of this Act. The rights of parties to transferable records are established under subsections (d) and (e). Subsection (d) provides rules for determining the rights of a party in control of a transferable record. The subsection makes clear that the rights are determined under this section, and not under other law, by incorporating the rules on the manner of acquisition into this statute. The last sentence of subsection (d) is intended to assure that requirements related to notions of

possession, which are inherently inconsistent with the idea of an electronic record, are not incorporated into this statute.

If a person establishes control, Section 16(d) provides that that person is the "holder" of the transferable record which is equivalent to a holder of an analogous paper negotiable instrument. More importantly, if the person acquired control in a manner which would make it a holder in due course of an equivalent paper record, the person acquires the rights of a HDC. The person in control would therefore be able to enforce the transferable record against the obligor regardless of intervening claims and defenses. However, by pulling these rights into Section 16, this Act does NOT validate the wholesale electrification of promissory notes under Article 3 of the Uniform Commercial Code.

Further, it is important to understand that a transferable record under Section 16, while having no counterpart under Article 3 of the Uniform Commercial Code, would be an "account," "general intangible," or "payment intangible" under Article 9 of the Uniform Commercial Code. Accordingly, two separate bodies of law would apply to that asset of the obligee. A taker of the transferable record under Section 16 may acquire purchaser rights under Article 9 of the Uniform Commercial Code, however, those rights may be defeated by a trustee in bankruptcy of a prior person in control unless perfection under Article 9 of the Uniform Commercial Code by filing is achieved. If the person in control also takes control in a manner granting it holder in due course status, of course that person would take free of any claim by a bankruptcy trustee or lien creditor.

7. Subsection (e) accords to the obligor of the transferable record rights equal to those of an obligor under an equivalent paper record. Accordingly, unless a waiver of defense clause is obtained in the electronic record, or the transferee obtains HDC rights under subsection (d), the obligor has all the rights and defenses available to it under a contract assignment. Additionally, the obligor has the right to have the payment noted or otherwise included as part of the electronic record.

8. Subsection (f) grants the obligor the right to have the transferable record and other information made available for purposes of assuring the correct person to pay. This will allow the obligor to protect its interest and obtain the defense of discharge by payment or performance. This is particularly important because a person receiving subsequent control under the appropriate circumstances may well qualify as a holder in course who can enforce payment of the transferable record.

9. Section 16 is a singular exception to the thrust of this Act to simply validate electronic media used in commercial transactions. Section 16 actually provides a means for expanding electronic commerce. It provides certainty to lenders and investors regarding the enforceability of a new class of financial services. It is hoped that the legal protections afforded by Section 16 will engender the development of technological and business models which will permit realization of the significant cost savings and efficiencies available through electronic transacting in the financial services industry. Although only a bridge to more detailed consideration of the broad issues related to negotiability in an electronic context, Section 16 provides the impetus for that broader consideration while allowing continuation of developing technological and business models.

[SECTION 17. CREATION AND RETENTION OF ELECTRONIC RECORDS AND CONVERSION OF WRITTEN RECORDS BY GOVERNMENTAL AGENCIES. [Each governmental agency] [The [designated state officer]] of this State shall determine whether, and the extent to which, [it] [a governmental agency] will create and retain electronic records and convert written records to electronic records.]

Comment

See Comments following Section 19.

[SECTION 18. ACCEPTANCE AND DISTRIBUTION OF ELECTRONIC RECORDS BY GOVERNMENTAL AGENCIES.

(a) Except as otherwise provided in Section 12(f), [each governmental agency] [the [designated state officer]] of this State shall determine whether, and the extent to which, [it] [a governmental agency] will send and accept electronic records and electronic signatures to and from other persons and otherwise create, generate, communicate, store, process, use, and rely upon electronic records and electronic signatures.

(b) To the extent that a governmental agency uses electronic records and electronic signatures under subsection (a), the [governmental agency] [designated state officer], giving due consideration to security, may specify:

(1) the manner and format in which the electronic records must be created, generated, sent, communicated, received, and stored and the systems established for those purposes;

(2) if electronic records must be signed by electronic means, the type of electronic signature required, the manner and format in which the electronic signature must be affixed to the electronic record, and the identity of, or criteria that must be met by, any third party used by a person filing a document to facilitate the process;

(3) control processes and procedures as appropriate to ensure adequate preservation, disposition, integrity, security, confidentiality, and auditability of electronic records; and

(4) any other required attributes for electronic records which are specified for corresponding nonelectronic records or reasonably necessary under the circumstances.

(c) Except as otherwise provided in Section 12(f), this [Act] does not require a governmental agency of this State to use or permit the use of electronic records or electronic signatures.]

Source: Illinois Act Section 25-101; Florida Electronic Signature Act, Chapter 96-324, Section 7 (1996).

Comment

See Comments following Section 19.

[SECTION 19. INTEROPERABILITY. The [governmental agency] [designated officer] of this State which adopts standards pursuant to Section 18 may encourage and promote consistency and interoperability with similar requirements adopted by other governmental agencies of this and other States and the federal government and nongovernmental persons interacting with governmental agencies of this State. If appropriate, those standards may specify differing levels of standards from which governmental agencies of this State may choose in implementing the most appropriate standard for a particular application.]

Source: Illinois Act Section 25-115.

See Legislative Note below - Following Comments.

Comment

1. Sections 17-19 have been bracketed as optional provisions to be considered for adoption by each State. Among the barriers to electronic commerce are barriers which exist in the use of electronic media by state governmental agencies - whether among themselves or in external dealing with the private sector. In those circumstances where the government acts as a commercial party, e.g., in areas of procurement, the general validation provisions of this Act will apply. That is to say, the government must agree to conduct transactions electronically with vendors and customers of government services.

However, there are other circumstances when government ought to establish the ability to proceed in transactions electronically. Whether in regard to records and communications within and between governmental agencies, or with respect to information and filings which must be made with governmental agencies, these sections allow a State to establish the ground work for such electronicization.

2. The provisions in Sections 17-19 are broad and very general. In many States they will be unnecessary because enacted legislation designed to facilitate governmental use of electronic records and communications is in place. However, in many States broad validating rules are needed and desired. Accordingly, this Act provides these sections as a baseline.

Of paramount importance in all States however, is the need for States to assure that whatever systems and rules are adopted, the systems established are compatible with the systems of other governmental agencies and with common systems in the private sector. A very real risk exists that implementation of systems by myriad governmental agencies and offices may create barriers because of a failure to consider compatibility, than would be the case otherwise.

3. The provisions in Section 17-19 are broad and general to provide the greatest flexibility and adaptation to the specific needs of the individual States. The differences and variations in the organization and structure of governmental agencies mandates this approach. However, it is imperative that each State always keep in mind the need to prevent the erection of barriers through appropriate coordination of systems and rules within the parameters set by the State.

4. Section 17 authorizes state agencies to use electronic records and electronic signatures generally for intra-governmental purposes, and to convert written records and manual signatures to electronic records and electronic signatures. By its terms the section gives enacting legislatures the option to leave the decision to use electronic records or convert written records and signatures to the governmental agency or assign that duty to a designated state officer. It also authorizes the destruction of written records after conversion to electronic form.

5. Section 18 broadly authorizes state agencies to send and receive electronic records and signatures in dealing with non-governmental persons. Again, the provision is permissive and not obligatory (see subsection (c)). However, it does provide specifically that with respect to electronic records used for evidentiary purposes, Section 12 will apply unless a particular agency expressly opts out.

6. Section 19 is the most important section of the three. It requires governmental agencies or state officers to take account of consistency in applications and interoperability to the extent practicable when promulgating standards. This section is critical in addressing the concern that inconsistent applications may promote barriers greater than currently exist. Without such direction the myriad systems that could develop independently would be new barriers to electronic commerce, not a removal of barriers. The key to interoperability is flexibility and adaptability. The requirement of a single system may be as big a barrier as the proliferation of many disparate systems.

Legislative Note Regarding Adoption of Sections 17-19

1. Sections 17-19 are optional sections for consideration by individual legislatures for adoption, and have been bracketed to make this clear. The inclusion or exclusion of Sections 17-19 will not have a detrimental impact on the uniformity of adoption of this Act, so long as Sections 1-16 are adopted uniformly as presented. In some States Sections 17-19 will be unnecessary because legislation is already in place to authorize and implement government use of electronic media. However, the general authorization provided by Sections 17-19 may be critical in some States which desire to move forward in this area.

2. In the event that a state legislature chooses to adopt Sections 17-19, a number of issues must be addressed:

A. Is the general authorization to adopt electronic media, provided by Sections 17-19 sufficient for the needs of the particular jurisdiction, or is more detailed and specific authorization necessary? This determination may be affected by the decision regarding the appropriate entity or person to oversee implementation of the use of electronic media (See next paragraph). Sections 17-19 are broad and general in the authorization granted. Certainly greater specificity can be added subsequent to adoption of these sections. The question for the legislature is whether greater direction and specificity is needed at this time. If so, the legislature should not enact Sections 17-19 at this time.

B. Assuming a legislature decides to enact Sections 17-19, what entity or person should oversee implementation of the government's use of electronic media? As noted in each of Sections 17-19, again by brackets, a choice must be made regarding the entity to make critical decisions regarding the systems and rules which will govern the use of electronic media by the State. Each State will need to consider its particular structure and administration in making this determination. However, legislatures are strongly encouraged to make compatibility and interoperability considerations paramount in making this determination.

C. Finally, a decision will have to be made regarding the process by which coordination of electronic systems will occur between the various branches of state government and among the various levels of government within the State. Again this will require consideration of the unique situation in each State.

3. If a State chooses not to enact Sections 17-19, UETA Sections 1-16 will still apply to governmental entities when acting as a "person" engaging in "transactions" within its scope. The definition of transaction includes "governmental affairs." Of course, like any other party, the circumstances surrounding a transaction must indicate that the governmental actor has agreed to act electronically (See Section 5(b)), but otherwise all the provisions of Sections 1-16 will apply to validate the use of electronic records and signatures in transactions involving governmental entities.

If a State does choose to enact Sections 17-19, Sections 1-16 will continue to apply as above. In addition, Sections 17-19 will provide authorization for intra-governmental uses of electronic media. Finally, Sections 17-19 provide a broader authorization for the State to develop systems and procedures for the use of electronic media in its relations with non-governmental entities and persons.

SECTION 20. SEVERABILITY CLAUSE. If any provision of this [Act] or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this [Act] which can be given effect without the invalid provision or application, and to this end the provisions of this [Act] are severable.

REGISTER.COM V. VERIO, 356 F.3D 393 (2D CIR. 2004)

REGISTER.COM, INC., Plaintiff-Appellee,

v.

VERIO, INC., Defendant-Appellant.

Docket No. 00-9596.

United States Court of Appeals, Second Circuit.

Argued: January 21, 2001.

Decided: January 23, 2004.

Appeal from the United States District Court for the Southern District of New York, Barbara S. Jones, J.

William F. Patry, New York, N.Y. (Kenneth A. Plevan, Scott D. Brown, Paul M. Fakler, on the brief), for Appellee.

Michael A. Jacobs, San Francisco, CA, (James E. Hough, Mark David McPherson, on the brief) for Appellant.

Before: LEVAL, Circuit Judge, and J.F. KEENAN, District Judge.*

LEVAL, Circuit Judge.

1 Defendant, Verio, Inc. ("Verio") appeals from an order of the United States District Court for the Southern District of New York (Barbara S. Jones, J.) granting the motion of plaintiff Register.com, Inc. ("Register") for a preliminary injunction. The court's order enjoined Verio from (1) using Register's trademarks; (2) representing or otherwise suggesting to third parties that Verio's services have the sponsorship, endorsement, or approval of Register; (3) accessing Register's computers by use of automated software programs performing multiple successive queries; and (4) using data obtained from Register's database of contact information of registrants of Internet domain names to solicit the registrants for the sale of web site development services by electronic mail, telephone calls, or direct mail. We affirm.¹

BACKGROUND

2 This plaintiff Register is one of over fifty companies serving as registrars for the issuance of domain names on the world wide web. As a registrar, Register issues domain names to persons and entities preparing to establish web sites on the Internet. Web sites are identified and accessed by reference to their domain names.

3 Register was appointed a registrar of domain names by the Internet Corporation for Assigned Names and Numbers, known by the acronym "ICANN." ICANN is a private, non-profit public benefit corporation which was established by agencies of the U.S. government to administer the Internet domain name system. To become a registrar of domain names, Register was required to enter into a standard form agreement with ICANN, designated as the ICANN Registrar Accreditation Agreement, November 1999 version (referred to herein as the "ICANN Agreement").

4 Applicants to register a domain name submit to the registrar contact information, including at a minimum, the applicant's name, postal address, telephone number, and electronic mail address. The ICANN Agreement, referring to this registrant contact information under the rubric "WHOIS information," requires the registrar, under terms discussed in greater detail below, to preserve it, update it daily, and

provide for free public access to it through the Internet as well as through an independent access port, called port 43. See ICANN Agreement § II.F.1.

5 Section II.F.5 of the ICANN Agreement (which furnishes a major basis for the appellant Verio's contentions on this appeal) requires that the registrar "not impose terms and conditions" on the use made by others of its WHOIS data "except as permitted by ICANN-adopted policy." In specifying what restrictions may be imposed, the ICANN Agreement requires the registrar to permit use of its WHOIS data "for any lawful purposes except to:... support the transmission of mass unsolicited, commercial advertising or solicitations via email (spam); [and other listed purposes not relevant to this appeal]." (emphasis added).

6 Another section of the ICANN Agreement (upon which appellee Register relies) provides as follows,

7 No Third-Party Beneficiaries: This Agreement shall not be construed to create any obligation by either ICANN or Registrar to any non-party to this Agreement....

8 ICANN Agreement § II.S.2. Third parties could nonetheless seek enforcement of a registrar's obligations set forth in the ICANN Agreement by resort to a grievance process under ICANN's auspices.

9 In compliance with § II.F.1 of the ICANN Agreement, Register updated the WHOIS information on a daily basis and established Internet and port 43 service, which allowed free public query of its WHOIS information. An entity making a WHOIS query through Register's Internet site or port 43 would receive a reply furnishing the requested WHOIS information, captioned by a legend devised by Register, which stated,

10 By submitting a WHOIS query, you agree that you will use this data only for lawful purposes and that under no circumstances will you use this data to ... support the transmission of mass unsolicited, commercial advertising or solicitation via email.

11 The terms of that legend tracked § II.F.5 of the ICANN Agreement in specifying the restrictions Register imposed on the use of its WHOIS data. Subsequently, as explained below, Register amended the terms of this legend to impose more stringent restrictions on the use of the information gathered through such queries.

12 In addition to performing the function of a registrar of domain names, Register also engages in the business of selling web-related services to entities that maintain web sites. These services cover various aspects of web site development. In order to solicit business for the services it offers, Register sends out marketing communications. Among the entities it solicits for the sale of such services are entities whose domain names it registered. However, during the registration process, Register offers registrants the opportunity to elect whether or not they will receive marketing communications from it.

13 The defendant Verio, against whom the preliminary injunction was issued, is engaged in the business of selling a variety of web site design, development and operation services. In the sale of such services, Verio competes with Register's web site development business. To facilitate its pursuit of customers, Verio undertook to obtain daily updates of the WHOIS information relating to newly registered domain names. To achieve this, Verio devised an automated software program, or robot, which each day would submit multiple successive WHOIS queries through the port 43 accesses of various registrars. Upon acquiring the WHOIS information of new registrants, Verio would send them marketing solicitations by email, telemarketing and direct mail. To the extent that Verio's solicitations were sent by email, the practice was inconsistent with the terms of the restrictive legend Register attached to its responses to Verio's queries.

14 At first, Verio's solicitations addressed to Register's registrants made explicit reference to their recent registration through Register. This led some of the recipients of Verio's solicitations to believe the solicitation was initiated by Register (or an affiliate), and was sent in violation of the registrant's election

not to receive solicitations from Register. Register began to receive complaints from registrants. Register in turn complained to Verio and demanded that Verio cease and desist from this form of marketing. Register asserted that Verio was harming Register's goodwill, and that by soliciting via email, was violating the terms to which it had agreed on submitting its queries for WHOIS information. Verio responded to the effect that it had stopped mentioning Register in its solicitation message.

15 In the meantime, Register changed the restrictive legend it attached to its responses to WHOIS queries. While previously the legend conformed to the terms of § II F.5, which authorized Register to prohibit use of the WHOIS information for mass solicitations "via email," its new legend undertook to bar mass solicitation "via direct mail, electronic mail, or by telephone."² Section II.F.5 of Register's ICANN Agreement, as noted above, required Register to permit use of the WHOIS data "for any lawful purpose except to ... support the transmission of mass unsolicited solicitations via email (spam)." Thus, by undertaking to prohibit Verio from using the WHOIS information for solicitations "via direct mail ... or by telephone," Register was acting in apparent violation of this term of its ICANN Agreement.

16 Register wrote to Verio demanding that it cease using WHOIS information derived from Register not only for email marketing, but also for marketing by direct mail and telephone. Verio ceased using the information in email marketing, but refused to stop marketing by direct mail and telephone.

17 Register brought this suit on August 3, 2000, and moved for a temporary restraining order and a preliminary injunction. Register asserted, among other claims, that Verio was (a) causing confusion among customers, who were led to believe Verio was affiliated with Register; (b) accessing Register's computers without authorization, a violation of the Computer Fraud and Abuse Act, 18 U.S.C. § 1030; and, (c) trespassing on Register's chattels in a manner likely to harm Register's computer systems by the use of Verio's automated robot software programs. On December 8, 2000, the district court entered a preliminary injunction. The injunction barred Verio from the following activities:

18 1. Using or causing to be used the "Register.com" mark or the "first step on the web" mark or any other designation similar thereto, on or in connection with the advertising, marketing, or promotion of Verio and/or any of Verio's services;

19 2. Representing, or committing any act which is calculated to or is likely to cause third parties to believe that Verio and/or Verio's services are sponsored by, or have the endorsement or approval of Register.com; 3. Accessing Register.com's computers and computer networks in any manner, including, but not limited to, by software programs performing multiple, automated, successive queries, provided that nothing in this Order shall prohibit Verio from accessing Register.com's WHOIS database in accordance with the terms and conditions thereof; and

20 4. Using any data currently in Verio's possession, custody or control, that using its best efforts, Verio can identify as having been obtained from Register.com's computers and computer networks to enable the transmission of unsolicited commercial electronic mail, telephone calls, or direct mail to the individuals listed in said data, provided that nothing in this Order shall prohibit Verio from (i) communicating with any of its existing customers, (ii) responding to communications received from any Register.com customer initially contacted before August 4, 2000, or (iii) communicating with any Register.com customer whose contact information is obtained by Verio from any source other than Register.com's computers and computer networks.

21 Register.com, Inc. v. Verio, Inc., 126 F.Supp.2d 238, 255 (S.D.N.Y.2000). Verio appeals from that order.

DISCUSSION

22 Standard of review and preliminary injunction standard

23 A grant of a preliminary injunction is reviewed on appeal for abuse of discretion, see *SEC v. Cavanagh*, 155 F.3d 129, 132 (2d Cir.1998), which will be found if the district court "applies legal standards incorrectly or relies upon clearly erroneous findings of fact," *id.*, or "proceed[s] on the basis of an erroneous view of the applicable law," *Donovan v. Bierwirth*, 680 F.2d 263, 269 (2d Cir.1982).

24 Verio advances a plethora of arguments why the preliminary injunction should be vacated. We find them to be without merit. We address the most substantial of Verio's arguments.

25 (a) Verio's enforcement of the restrictions placed on Register by the ICANN Agreement

26 Verio conceded that it knew of the restrictions Register placed on the use of the WHOIS data and knew that, by using Register's WHOIS data for direct mail and telemarketing solicitations, it was violating Register's restrictions. Verio's principal argument is that Register was not authorized to forbid Verio from using the data for direct mail and telemarketing solicitation because the ICANN Agreement prohibited Register from imposing any "terms and conditions" on use of WHOIS data, "except as permitted by ICANN-adopted policy," which specified that Register was required to permit "any lawful purpose, except ... mass solicitation[] via email."

27 Register does not deny that the restrictions it imposed contravened this requirement of the ICANN Agreement. Register contends, however, that the question whether it violated § II.F.5 of its Agreement with ICANN is a matter between itself and ICANN, and that Verio cannot enforce the obligations placed on Register by the ICANN Agreement. Register points to § II.S.2 of the ICANN Agreement, captioned "No Third-Party Beneficiaries," which, as noted, states that the agreement is not to be construed "to create any obligation by either ICANN or Registrar to any non-party." Register asserts that Verio, a non-party, is asking the court to construe § II.F.5 as creating an obligation owed by Register to Verio, and that the Agreement expressly forbids such a construction.

28 ICANN intervened in the district court as an amicus curiae and strongly supports Register's position, opposing Verio's right to invoke Register's contractual promises to ICANN. ICANN explained that ICANN has established a remedial process for the resolution of such disputes through which Verio might have sought satisfaction. "If Verio had concerns regarding Register.com's conditions for access to WHOIS data, it should have raised them within the ICANN process rather [than] simply taking Register.com's data, violating the conditions [imposed by Register], and then seeking to justify its violation in this Court.... [Verio's claim was] intended to be addressed only within the ICANN process."

29 ICANN asserted that the No Third-Party Beneficiary provision, barring third parties from seeking to enforce promises made by a registrar to ICANN through court proceedings, was "vital to the overall scheme of [its] various agreements."

30 This is because proper expression of the letter and spirit of ICANN policies is most appropriately achieved through the ICANN process itself, and not through forums that lack the every day familiarity with the intricate technical and policy issues that the ICANN process was designed to address.

ICANN's brief went on to state:

31 [E]nforcement of agreements with ICANN [was to] be informed by the judgment of the various segments of the internet community as expressed through ICANN. In the fast-paced environment of the Internet, new issues and situations arise quickly, and sometimes the language of contractual provisions does not perfectly match the underlying policies. For this and other reasons, hard-and-fast enforcement [by courts] of the letter of every term of every agreement is not always appropriate. An integral part of the

agreements that the registrars ... entered with ICANN is the understanding that these situations would be handled through consultation and consideration within the ICANN process.... Allowing issues under the agreements registrars make with ICANN to be diverted from [ICANN's] carefully crafted remedial scheme to the courts, at the behest of third parties ..., would seriously threaten the Internet community's ability, under the auspices of ICANN, to achieve a proper balance of the competing policy values that are so frequently involved.

32 We are persuaded by the arguments Register and ICANN advance. It is true Register incurred a contractual obligation to ICANN not to prevent the use of its WHOIS data for direct mail and telemarketing solicitation. But ICANN deliberately included in the same contract that persons aggrieved by Register's violation of such a term should seek satisfaction within the framework of ICANN's grievance policy, and should not be heard in courts of law to plead entitlement to enforce Register's promise to ICANN. As experience develops in the fast changing world of the Internet, ICANN, informed by the various constituencies in the Internet community, might well no longer consider it salutary to enforce a policy which it earlier expressed in the ICANN Agreement. For courts to undertake to enforce promises made by registrars to ICANN at the instance of third parties might therefore be harmful to ICANN's efforts to develop well-informed and sound Internet policy.

33 Verio's invocation of the ICANN Agreement necessarily depends on its entitlement to enforce Register's promises to ICANN in the role of third party beneficiary. The ICANN Agreement specified that it should be deemed to have been made in California, where ICANN is located. Under § 1559 of the California Civil Code, a "contract, made expressly for the benefit of a third person, may be enforced by him." Cal. Civ.Code § 1559. For Verio to seek to enforce Register's promises it made to ICANN in the ICANN Agreement, Verio must show that the Agreement was made for its benefit. See *Am. Home Ins. Co. v. Travelers Indemnity Co.*, 175 Cal.Rptr. 826, 834 (1981). Verio did not meet this burden. To the contrary, the Agreement expressly and intentionally excluded non-parties from claiming rights under it in court proceedings.

34 We are not persuaded by the arguments Judge Parker advanced in his draft. Although acknowledging that Verio could not claim third party beneficiary rights to enforce Register's promises to ICANN, Judge Parker nonetheless found three reasons for enforcing Verio's claim: (i) "public policy interests at stake," (ii) Register's "indisputable obligations to ICANN as a registrar," and (iii) the equities, involving Register's "unclean hands" in imposing a restriction it was contractually bound not to impose. We respectfully disagree. As for the first argument, that Register's restriction violated public policy, it is far from clear that this is so.³ It is true that the ICANN Agreement at the time ICANN presented it to Register permitted mass solicitation by means other than email. But it is not clear that at the time of this dispute, ICANN intended to adhere to that policy. As ICANN's amicus brief suggested, the world of the Internet changes rapidly, and public policy as to how that world should be governed may change rapidly as well. ICANN in fact has since changed the terms of its standard agreement for the accreditation of registrars to broaden the uses of WHOIS information that registrars may prohibit to include not only mass email solicitations but also mass telephone and fax solicitations. See ICANN Registrar Accreditation Agreement § 3.3.5 (May 18, 2001). It is far from clear that ICANN continues to view public policy the way it did at the time it crafted Register's agreement. In any event, if Verio wished to have the dispute resolved in accordance with public policy, it was free to bring its grievance to ICANN. Verio declined to do so. ICANN included the "No Third-Party Beneficiary" provision precisely so that it would retain control of enforcement of policy, rather than yielding it to courts.

35 As for Judge Parker's second argument, Register's "indisputable obligation to ICANN as a registrar" to permit Verio to use the WHOIS information for mass solicitation by mail and telephone, we do not see how this argument differs from Verio's claim of entitlement as a third party beneficiary, which § I.I.S.2 explicitly negates. The fact that Register owed a contractual obligation to ICANN not to impose certain restrictions on use of WHOIS information does not mean that it owed an obligation to Verio not to impose such restrictions. As ICANN's brief in the district court indicates, ICANN was well aware of Register's deviation

from the restrictions imposed by the ICANN Agreement, but ICANN chose not to take steps to compel Register to adhere to its contract.

36 Nor are we convinced by Judge Parker's third argument of Register's "unclean hands." Judge Parker characterizes Register's failure to honor its contractual obligation to ICANN as unethical conduct, making Register ineligible for equitable relief. But Register owed no duty in that regard to anyone but ICANN, and ICANN has expressed no dissatisfaction with Register's failure to adhere to that term of the contract. Verio was free to seek ICANN's intervention on its behalf, but declined to do so, perhaps because it knew or suspected that ICANN would decline to compel Register to adhere to the contract term. Under the circumstances, we see no reason to assume on appeal that Register's conduct should be considered unethical, especially where the district court made no such finding.

37 (b) Verio's assent to Register's contract terms

38 Verio's next contention assumes that Register was legally authorized to demand that takers of WHOIS data from its systems refrain from using it for mass solicitation by mail and telephone, as well as by email. Verio contends that it nonetheless never became contractually bound to the conditions imposed by Register's restrictive legend because, in the case of each query Verio made, the legend did not appear until after Verio had submitted the query and received the WHOIS data. Accordingly, Verio contends that in no instance did it receive legally enforceable notice of the conditions Register intended to impose. Verio therefore argues it should not be deemed to have taken WHOIS data from Register's systems subject to Register's conditions.

39 Verio's argument might well be persuasive if its queries addressed to Register's computers had been sporadic and infrequent. If Verio had submitted only one query, or even if it had submitted only a few sporadic queries, that would give considerable force to its contention that it obtained the WHOIS data without being conscious that Register intended to impose conditions, and without being deemed to have accepted Register's conditions. But Verio was daily submitting numerous queries, each of which resulted in its receiving notice of the terms Register exacted. Furthermore, Verio admits that it knew perfectly well what terms Register demanded. Verio's argument fails.

40 The situation might be compared to one in which plaintiff P maintains a roadside fruit stand displaying bins of apples. A visitor, defendant D, takes an apple and bites into it. As D turns to leave, D sees a sign, visible only as one turns to exit, which says "Apples — 50 cents apiece." D does not pay for the apple. D believes he has no obligation to pay because he had no notice when he bit into the apple that 50 cents was expected in return. D's view is that he never agreed to pay for the apple. Thereafter, each day, several times a day, D revisits the stand, takes an apple, and eats it. D never leaves money.

41 P sues D in contract for the price of the apples taken. D defends on the ground that on no occasion did he see P's price notice until after he had bitten into the apples. D may well prevail as to the first apple taken. D had no reason to understand upon taking it that P was demanding the payment. In our view, however, D cannot continue on a daily basis to take apples for free, knowing full well that P is offering them only in exchange for 50 cents in compensation, merely because the sign demanding payment is so placed that on each occasion D does not see it until he has bitten into the apple.

42 Verio's circumstance is effectively the same. Each day Verio repeatedly enters Register's computers and takes that day's new WHOIS data. Each day upon receiving the requested data, Verio receives Register's notice of the terms on which it makes the data available — that the data not be used for mass solicitation via direct mail, email, or telephone. Verio acknowledges that it continued drawing the data from Register's computers with full knowledge that Register offered access subject to these restrictions. Verio is no more free to take Register's data without being bound by the terms on which Register offers it, than D was free, in the example, once he became aware of the terms of P's offer, to take P's apples without obligation to pay the 50 cent price at which P offered them.

43 Verio seeks support for its position from cases that have dealt with the formation of contracts on the Internet. An excellent example, although decided subsequent to the submission of this case, is *Specht v. Netscape Communications Corp.*, 306 F.3d 17 (2d Cir.2002). The dispute was whether users of Netscape's software, who downloaded it from Netscape's web site, were bound by an agreement to arbitrate disputes with Netscape, where Netscape had posted the terms of its offer of the software (including the obligation to arbitrate disputes) on the web site from which they downloaded the software. We ruled against Netscape and in favor of the users of its software because the users would not have seen the terms Netscape exacted without scrolling down their computer screens, and there was no reason for them to do so. The evidence did not demonstrate that one who had downloaded Netscape's software had necessarily seen the terms of its offer.

44 Verio, however, cannot avail itself of the reasoning of *Specht*. In *Specht*, the users in whose favor we decided visited Netscape's web site one time to download its software. Netscape's posting of its terms did not compel the conclusion that its downloaders took the software subject to those terms because there was no way to determine that any downloader had seen the terms of the offer. There was no basis for imputing to the downloaders of Netscape's software knowledge of the terms on which the software was offered. This case is crucially different. Verio visited Register's computers daily to access WHOIS data and each day saw the terms of Register's offer; Verio admitted that, in entering Register's computers to get the data, it was fully aware of the terms on which Register offered the access.

45 Verio's next argument is that it was not bound by Register's terms because it rejected them. Even assuming Register is entitled to demand compliance with its terms in exchange for Verio's entry into its systems to take WHOIS data, and even acknowledging that Verio was fully aware of Register's terms, Verio contends that it still is not bound by Register's terms because it did not agree to be bound. In support of its claim, Verio cites a district court case from the Central District of California, *Ticketmaster Corp. v. Tickets.com, Inc.*, No. CV99-7654, 2000 WL 1887522 (C.D.Cal. Aug.10, 2000), in which the court rejected Ticketmaster's application for a preliminary injunction to enforce posted terms of use of data available on its website against a regular user. Noting that the user of Ticketmaster's web site is not required to check an "I agree" box before proceeding, the court concluded that there was insufficient proof of agreement to support a preliminary injunction. *Id.* at *5.

46 We acknowledge that the Ticketmaster decision gives Verio some support, but not enough. In the first place, the Ticketmaster court was not making a definitive ruling rejecting Ticketmaster's contract claim. It was rather exercising a district court's discretion to deny a preliminary injunction because of a doubt whether the movant had adequately shown likelihood of success on the merits.

47 But more importantly, we are not inclined to agree with the Ticketmaster court's analysis. There is a crucial difference between the circumstances of *Specht*, where we declined to enforce Netscape's specified terms against a user of its software because of inadequate evidence that the user had seen the terms when downloading the software, and those of Ticketmaster, where the taker of information from Ticketmaster's site knew full well the terms on which the information was offered but was not offered an icon marked, "I agree," on which to click. Under the circumstances of Ticketmaster, we see no reason why the enforceability of the offeror's terms should depend on whether the taker states (or clicks), "I agree."

48 We recognize that contract offers on the Internet often require the offeree to click on an "I agree" icon. And no doubt, in many circumstances, such a statement of agreement by the offeree is essential to the formation of a contract. But not in all circumstances. While new commerce on the Internet has exposed courts to many new situations, it has not fundamentally changed the principles of contract. It is standard contract doctrine that when a benefit is offered subject to stated conditions, and the offeree makes a decision to take the benefit with knowledge of the terms of the offer, the taking constitutes an acceptance of the terms, which accordingly become binding on the offeree. See, e.g., Restatement (Second) of Contracts § 69(1)(a) (1981) ("[S]ilence and inaction operate as an acceptance ... [w]here an offeree takes the benefit of offered services with reasonable opportunity to reject them and reason to know that they

were offered with the expectation of compensation."); 2 Richard A. Lord, *Williston on Contracts* § 6:9 (4th ed. 1991) ("[T]he acceptance of the benefit of services may well be held to imply a promise to pay for them if at the time of acceptance the offeree has a reasonable opportunity to reject the service and knows or has reason to know that compensation is expected."); Arthur Linton Corbin, *Corbin on Contracts* § 71 (West 1 vol. ed. 1952) ("The acceptance of the benefit of the services is a promise to pay for them, if at the time of accepting the benefit the offeree has a reasonable opportunity to reject it and knows that compensation is expected."); *Jones v. Brisbin*, 41 Wash.2d 167, 172, 247 P.2d 891 (1952) ("Where a person, with reasonable opportunity to reject offered services, takes the benefit of them under circumstances which would indicate, to a reasonable man, that they were offered with the expectation of compensation, a contract, complete with mutual assent, results."); *Markstein Bros. Millinery Co. v. J.A. White & Co.*, 151 Ark. 1, 235 S.W. 39 (1921) (buyer of hats was bound to pay for hats when buyer failed to return them to seller within five days of inspection as seller requested in clear and obvious notice statement).

49 Returning to the apple stand, the visitor, who sees apples offered for 50 cents apiece and takes an apple, owes 50 cents, regardless whether he did or did not say, "I agree." The choice offered in such circumstances is to take the apple on the known terms of the offer or not to take the apple. As we see it, the defendant in *Ticketmaster* and *Verio* in this case had a similar choice. Each was offered access to information subject to terms of which they were well aware. Their choice was either to accept the offer of contract, taking the information subject to the terms of the offer, or, if the terms were not acceptable, to decline to take the benefits.

50 We find that the district court was within its discretion in concluding that Register showed likelihood of success on the merits of its contract claim.

51 (c) Irreparable harm

52 Verio contends that an injunction is not appropriate to enforce the terms of a contract. It is true that specific relief is not the conventional remedy for breach of contract, but there is certainly no ironclad rule against its use. Specific relief may be awarded in certain circumstances.

53 If an injury can be appropriately compensated by an award of monetary damages, then an adequate remedy at law exists, and no irreparable injury may be found to justify specific relief. *Borey v. Nat'l Union Fire Ins. Co.*, 934 F.2d 30, 34 (2d Cir.1991). But, irreparable harm may be found where damages are difficult to establish and measure. *Ticor Title Ins. Co. v. Cohen*, 173 F.3d 63, 69 (2d Cir.1999). We have found, for example, that injunctive relief is appropriate where it would be "very difficult to calculate monetary damages that would successfully redress the loss of a relationship with a client that would produce an indeterminate amount of business in years to come." *Id.* at 69.

54 The district court found it impossible to estimate "with any precision the amount of the monetary loss which has resulted and which would result in the future from the loss of Register.com's relationships with customers and co-brand partners," by reason of Verio's actions. *Register.com*, 126 F.Supp.2d at 248. In our view, the district court did not abuse its discretion in finding that, unless specific relief were granted, Verio's actions would cause Register irreparable harm through loss of reputation, good will, and business opportunities.

55 (d) Trespass to chattels

56 Verio also attacks the grant of the preliminary injunction against its accessing Register's computers by automated software programs performing multiple successive queries. This prong of the injunction was premised on Register's claim of trespass to chattels. Verio contends the ruling was in error because Register failed to establish that Verio's conduct resulted in harm to Register's servers and because Verio's robot access to the WHOIS database through Register was "not unauthorized." We believe the district court's findings were within the range of its permissible discretion.

57 "A trespass to a chattel may be committed by intentionally ... using or intermeddling with a chattel in the possession of another," Restatement (Second) of Torts § 217(b) (1965), where "the chattel is impaired as to its condition, quality, or value," id. § 218(b); see also *City of Amsterdam v. Goldreyer Ltd.*, 882 F.Supp. 1273, 1281 (E.D.N.Y.1995) (citing the Restatement definition as New York law).

58 The district court found that Verio's use of search robots, consisting of software programs performing multiple automated successive queries, consumed a significant portion of the capacity of Register's computer systems. While Verio's robots alone would not incapacitate Register's systems, the court found that if Verio were permitted to continue to access Register's computers through such robots, it was "highly probable" that other Internet service providers would devise similar programs to access Register's data, and that the system would be overtaxed and would crash. We cannot say these findings were unreasonable.

59 Nor is there merit to Verio's contention that it cannot be engaged in trespass when Register had never instructed it not to use its robot programs. As the district court noted, Register's complaint sufficiently advised Verio that its use of robots was not authorized and, according to Register's contentions, would cause harm to Register's systems.

60 (e) Lanham Act

61 On Register's claim for trademark infringement and unfair competition under the Lanham Act, the district court enjoined Verio from using Register's marks, including "Register.com" and "first step on the web," as well as from committing acts "calculated to or ... likely to cause third parties to believe that Verio" is sponsored, endorsed or approved by Register. By letter submitted after oral argument, Register agreed to the deletion of the prohibition concerning use of "first step on the web." See Letter from William Patry, Counsel for Register, to the U.S. Court of Appeals for the Second Circuit (May 22, 2001). We accordingly direct the district court to modify the preliminary injunction by deleting the prohibition of use of "first step on the web."

62 Verio contends there was no adequate basis for the portion of the injunction based on the Lanham Act. We disagree. In our view, the injunction was within the scope of the court's permitted discretion.

63 The district court found two bases for the injunction. The first was that in its early calls to recent registrants to solicit the sale of web site development services, Verio explicitly referred to the registrant's registration with Register. The evidence showed that a number of registrants believed the caller was affiliated with Register. The evidence further showed that Verio's marketers, calling registrants almost immediately following their registration, left messages saying they were calling "regarding your recently registered domain name," and asked to be called back. Register.com, 126 F.Supp.2d at 254. The district court found that the script was misleading. It noted that Verio in fact was not calling "regarding the recently registered domain name," but was rather calling regarding the registrant's establishment of a web site for which Verio wanted to offer services. Evidence presented to the district court showed that registrants who received such calls were prompted to call back immediately because the message led them to believe the call indicated some problem with Register's registration of the domain name, and that they assumed from the nature of the message that the entity calling was affiliated with Register.

64 We believe Register has shown an adequate basis to support the district court's exercise of discretion in issuing the injunction. Verio's use of Register's name alone was sufficient basis for the injunction. Notwithstanding that Verio had agreed, prior to the initiation of the suit, to cease using Register's name, Verio had previously used Register's mark in its solicitation calls. The fact that it had agreed to cease doing so was a factor that might have led the court to decline to issue the injunction, but it did not prevent the court from considering Verio's previous infringing behavior as a justification for the injunction.

65 The district court was also within its discretion in concluding that Verio's script for the solicitation calls was misleading. Verio's calls, while prompted by the recent registration of the domain name, were not

"regarding your recently registered domain name." Verio's interest was not in the domain name but in the opportunity to offer web services to the owner of a new site. The district court was within its discretion in finding that the reference to the recently registered domain name misleadingly induced registrants to call back, believing the registration of their domain name had encountered a problem, and that the calling party was affiliated with the registration. Verio could easily change the text of its message so as to avoid the misleading implication, without detriment to its legitimate efforts to solicit business. We conclude that there was adequate basis for the issuance of the injunction.

66 Nor does the mere fact that Verio's representatives identified themselves as "calling from Verio" preclude a finding of misleading practice. The statement that the solicitor was "calling from Verio" did not prevent customers from assuming that Verio was connected with the registrar of their domain names. Compare *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 395 (2d Cir.1995) (presentation of a mark in conjunction with a house mark may lessen the likelihood of confusion); *W.W.W. Pharmaceutical Co., v. Gillette Co.*, 984 F.2d 567, 573 (2d Cir.1993) (same), limited on other grounds by *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 46 (2d Cir.1994); *McGregor-Doniger, Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1133-34 (2d Cir.1979) (same), superseded by rule on other grounds as stated in *Bristol-Myers Squibb, Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033 (2d Cir.1999), with *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir.1972) (citing *Menendez v. Holt*, 128 U.S. 514, 521, 9 S.Ct. 143, 32 L.Ed. 526 (1888)) (the addition of a house mark or trade name may aggravate the likelihood of confusion if "a purchaser could well think [one party] had licensed [the other] as a second user").

67 We reject Verio's contention that the district court had no adequate basis for the Lanham Act injunction.

68 (f) Other claims

69 The rulings outlined above justify the affirmance of the preliminary injunction, without need to discuss the other contentions raised.

CONCLUSION

70 The ruling of the district court is hereby **AFFIRMED**, with the exception that the court is directed to delete the reference to "first step on the web" from paragraph one of its order.

THOMAS HOBBS: LEVIATHAN, CHAPTER XXX

LEVIATHAN OR THE MATTER, FORME, & POWER OF A COMMON-WEALTH ECCLESIASTICAL AND CIVILL

Thomas Hobbes of Malmesbury

Printed for Andrew Crooke, at the Green Dragon in St. Paul's Churchyard,

1651

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CHAPTER XXX. OF THE OFFICE OF THE SOVERAIGN REPRESENTATIVE

The Procuration Of The Good Of The People

The OFFICE of the Sovereign, (be it a Monarch, or an Assembly,) consisteth in the end, for which he was trusted with the Sovereign Power, namely the procuration of the Safety Of The People; to which he is obliged by the Law of Nature, and to render an account thereof to God, the Author of that Law, and to none but him. But by Safety here, is not meant a bare Preservation, but also all other Contentments of life, which every man by lawfull Industry, without danger, or hurt to the Common-wealth, shall acquire to himselfe.

By Instruction & Lawes

And this is intended should be done, not by care applyed to Individualls, further than their protection from injuries, when they shall complain; but by a generall Providence, contained in publique Instruction, both of Doctrine, and Example; and in the making, and executing of good Lawes, to which individuall persons may apply their own cases.

Against The Duty Of A Sovereign To Relinquish Any Essentiall Right of Sovereignty Or Not To See The People Taught The Grounds Of Them

And because, if the essentiall Rights of Sovereignty (specified before in the eighteenth Chapter) be taken away, the Common-wealth is thereby dissolved, and every man returneth into the condition, and calamity of a warre with every other man, (which is the greatest evill that can happen in this life;) it is the Office of the Sovereign, to maintain those Rights entire; and consequently against his duty, First, to transerre to another, or to lay from himselfe any of them. For he that deserteth the Means, deserteth the Ends; and he deserteth the Means, that being the Sovereign, acknowledgeth himselfe subject to the Civill Lawes; and renounceth the Power of Supreme Judicature; or of making Warre, or Peace by his own Authority; or of Judging of the Necessities of the Common-wealth; or of levying Mony, and Souldiers, when, and as much as in his own conscience he shall judge necessary; or of making Officers, and Ministers both of Warre, and Peace; or of appointing Teachers, and examining what Doctrines are conformable, or contrary to the Defence, Peace, and Good of the people. Secondly, it is against his duty, to let the people be ignorant, or mis-in-formed of the grounds, and reasons of those his essentiall Rights; because thereby men are easie to be seduced, and drawn to resist him, when the Common-wealth shall require their use and exercise.

And the grounds of these Rights, have the rather need to be diligently, and truly taught; because they cannot be maintained by any Civill Law, or terrour of legal punishment. For a Civill Law, that shall forbid Rebellion, (and such is all resistance to the essentiall Rights of Sovereignty,) is not (as a Civill Law) any

obligation, but by vertue onely of the Law of Nature, that forbiddeth the violation of Faith; which naturall obligation if men know not, they cannot know the Right of any Law the Sovereign maketh. And for the Punishment, they take it but for an act of Hostility; which when they think they have strength enough, they will endeavour by acts of Hostility, to avoyd.

Objection Of Those That Say There Are No Principles Of Reason For Absolute Sovereignty

As I have heard some say, that Justice is but a word, without substance; and that whatsoever a man can by force, or art, acquire to himselfe, (not onely in the condition of warre, but also in a Common-wealth,) is his own, which I have already shewed to be false: So there be also that maintain, that there are no grounds, nor Principles of Reason, to sustain those essentiall Rights, which make Sovereignty absolute. For if there were, they would have been found out in some place, or other; whereas we see, there has not hitherto been any Common-wealth, where those Rights have been acknowledged, or challenged. Wherein they argue as ill, as if the Savage people of America, should deny there were any grounds, or Principles of Reason, so to build a house, as to last as long as the materials, because they never yet saw any so well built. Time, and Industry, produce every day new knowledge. And as the art of well building, is derived from Principles of Reason, observed by industrious men, that had long studied the nature of materials, and the divers effects of figure, and proportion, long after mankind began (though poorly) to build: So, long time after men have begun to constitute Common-wealths, imperfect, and apt to relapse into disorder, there may, Principles of Reason be found out, by industrious meditation, to make use of them, or be neglected by them, or not, concerneth my particular interest, at this day, very little. But supposing that these of mine are not such Principles of Reason; yet I am sure they are Principles from Authority of Scripture; as I shall make it appear, when I shall come to speak of the Kingdome of God, (administred by Moses,) over the Jewes, his peculiar people by Covenant.

Objection From The Incapacity Of The Vulgar

But they say again, that though the Principles be right, yet Common people are not of capacity enough to be made to understand them. I should be glad, that the Rich, and Potent Subjects of a Kingdome, or those that are accounted the most Learned, were no lesse incapable than they. But all men know, that the obstructions to this kind of doctrine, proceed not so much from the difficulty of the matter, as from the interest of them that are to learn. Potent men, digest hardly any thing that setteth up a Power to bridle their affections; and Learned men, any thing that discovereth their errorrs, and thereby lesseneth their Authority: whereas the Common-peoples minds, unlesse they be tainted with dependance on the Potent, or scribbled over with the opinions of their Doctors, are like clean paper, fit to receive whatsoever by Publique Authority shall be imprinted in them. Shall whole Nations be brought to Acquiesce in the great Mysteries of Christian Religion, which are above Reason; and millions of men be made believe, that the same Body may be in innumerable places, at one and the same time, which is against Reason; and shall not men be able, by their teaching, and preaching, protected by the Law, to make that received, which is so consonant to Reason, that any unprejudicated man, needs no more to learn it, than to hear it? I conclude therefore, that in the instruction of the people in the Essentiall Rights (which are the Naturall, and Fundamentall Lawes) of Sovereignty, there is no difficulty, (whilest a Sovereign has his Power entire,) but what proceeds from his own fault, or the fault of those whom he trusteth in the administration of the Common-wealth; and consequently, it is his Duty, to cause them so to be instructed; and not onely his Duty, but his Benefit also, and Security, against the danger that may arrive to himselfe in his naturall Person, from Rebellion.

Subjects Are To Be Taught, Not To Affect Change Of Government

And (to descend to particulars) the People are to be taught, First, that they ought not to be in love with any forme of Government they see in their neighbour Nations, more than with their own, nor (whatsoever present prosperity they behold in Nations that are otherwise governed than they,) to desire change. For the prosperity of a People ruled by an Aristocraticall, or Democraticall assembly, commeth not from

Aristocracy, nor from Democracy, but from the Obedience, and Concord of the Subjects; nor do the people flourish in a Monarchy, because one man has the right to rule them, but because they obey him. Take away in any kind of State, the Obedience, (and consequently the Concord of the People,) and they shall not onely not flourish, but in short time be dissolved. And they that go about by disobedience, to doe no more than reforme the Common-wealth, shall find they do thereby destroy it; like the foolish daughters of Peleus (in the fable;) which desiring to renew the youth of their decrepit Father, did by the Counsell of Medea, cut him in pieces, and boyle him, together with strange herbs, but made not of him a new man. This desire of change, is like the breach of the first of Gods Commandements: For there God says, Non Habebis Deos Alienos; Thou shalt not have the Gods of other Nations; and in another place concerning Kings, that they are Gods.

Nor Adhere (Against The Sovereign) To Popular Men

Secondly, they are to be taught, that they ought not to be led with admiration of the vertue of any of their fellow Subjects, how high soever he stand, nor how conspicuously soever he shine in the Common-wealth; nor of any Assembly, (except the Sovereign Assembly,) so as to deferre to them any obedience, or honour, appropriate to the Sovereign onely, whom (in their particular stations) they represent; nor to receive any influence from them, but such as is conveighed by them from the Sovereign Authority. For that Sovereign, cannot be imagined to love his People as he ought, that is not Jealous of them, but suffers them by the flattery of Popular men, to be seduced from their loyalty, as they have often been, not onely secretly, but openly, so as to proclaime Marriage with them In Facie Ecclesiae by Preachers; and by publishing the same in the open streets: which may fitly be compared to the violation of the second of the ten Commandements.

Nor To Dispute The Sovereign Power

Thirdly, in consequence to this, they ought to be informed, how great fault it is, to speak evill of the Sovereign Representative, (whether One man, or an Assembly of men;) or to argue and dispute his Power, or any way to use his Name irreverently, whereby he may be brought into Contempt with his People, and their Obedience (in which the safety of the Common-wealth consisteth) slackened. Which doctrine the third Commandement by resemblance pointeth to.

And To Have Dayes Set Apart To Learn Their Duty

Fourthly, seeing people cannot be taught this, nor when 'tis taught, remember it, nor after one generation past, so much as know in whom the Sovereign Power is placed, without setting a part from their ordinary labour, some certain times, in which they may attend those that are appointed to instruct them; It is necessary that some such times be determined, wherein they may assemble together, and (after prayers and praises given to God, the Sovereign of Sovereigns) hear those their Duties told them, and the Positive Lawes, such as generally concern them all, read and expounded, and be put in mind of the Authority that maketh them Lawes. To this end had the Jewes every seventh day, a Sabbath, in which the Law was read and expounded; and in the solemnity whereof they were put in mind, that their King was God; that having created the world in six days, he rested the seventh day; and by their resting on it from their labour, that that God was their King, which redeemed them from their servile, and painfull labour in Egypt, and gave them a time, after they had rejoyced in God, to take joy also in themselves, by lawfull recreation. So that the first Table of the Commandements, is spent all, in setting down the summe of Gods absolute Power; not onely as God, but as King by pact, (in peculiar) of the Jewes; and may therefore give light, to those that have the Sovereign Power conferred on them by the consent of men, to see what doctrine they Ought to teach their Subjects.

And To Honour Their Parents

And because the first instruction of Children, dependeth on the care of their Parents; it is necessary that they should be obedient to them, whilst they are under their tuition; and not onely so, but that also

afterwards (as gratitude requireth,) they acknowledge the benefit of their education, by externall signes of honour. To which end they are to be taught, that originally the Father of every man was also his Sovereign Lord, with power over him of life and death; and that the Fathers of families, when by instituting a Common-wealth, they resigned that absolute Power, yet it was never intended, they should lose the honour due unto them for their education. For to relinquish such right, was not necessary to the Institution of Sovereign Power; nor would there be any reason, why any man should desire to have children, or take the care to nourish, and instruct them, if they were afterwards to have no other benefit from them, than from other men. And this accordeth with the fifth Commandement.

And To Avoyd Doing Of Injury:

Again, every Sovereign Ought to cause Justice to be taught, which (consisting in taking from no man what is his) is as much as to say, to cause men to be taught not to deprive their Neighbour, by violence, or fraud, of any thing which by the Sovereign Authority is theirs. Of things held in propriety, those that are dearest to a man are his own life, & limbs; and in the next degree, (in most men,) those that concern conjugall affection; and after them riches and means of living. Therefore the People are to be taught, to abstain from violence to one anothers person, by private revenges; from violation of conjugall honour; and from forcibly rapine, and fraudulent surreption of one anothers goods. For which purpose also it is necessary they be shewed the evill consequences of false Judgement, by corruption either of Judges or Witnesses, whereby the distinction of propriety is taken away, and Justice becomes of no effect: all which things are intimated in the sixth, seventh, eighth, and ninth Commandements.

And To Do All This Sincerely From The Heart

Lastly, they are to be taught, that not onely the unjust facts, but the designes and intentions to do them, (though by accident hindred,) are Injustice; which consisteth in the pravity of the will, as well as in the irregularity of the act. And this is the intention of the tenth Commandement, and the summe of the Second Table; which is reduced all to this one Commandement of mutuall Charity, "Thou shalt love thy neighbour as thy selfe:" as the summe of the first Table is reduced to "the love of God;" whom they had then newly received as their King.

The Use Of Universities

As for the Means, and Conduits, by which the people may receive this Instruction, wee are to search, by what means so may Opinions, contrary to the peace of Man-kind, upon weak and false Principles, have neverthelesse been so deeply rooted in them. I mean those, which I have in the precedent Chapter specified: as That men shall Judge of what is lawfull and unlawfull, not by the Law it selfe, but by their own private Judgements; That Subjects sinne in obeying the Commands of the Common-wealth, unlesse they themselves have first judged them to be lawfull: That their Propriety in their riches is such, as to exclude the Dominion, which the Common-wealth hath over the same: That it is lawfull for Subjects to kill such, as they call Tyrants: That the Sovereign Power may be divided, and the like; which come to be instilled into the People by this means. They whom necessity, or covetousnesse keepeth attent on their trades, and labour; and they, on the other side, whom superfluity, or sloth carrieth after their sensuall pleasures, (which two sorts of men take up the greatest part of Man-kind,) being diverted from the deep meditation, which the learning of truth, not onely in the matter of Naturall Justice, but also of all other Sciences necessarily requireth, receive the Notions of their duty, chiefly from Divines in the Pulpit, and partly from such of their Neighbours, or familiar acquaintance, as having the Faculty of discoursing readily, and plausibly, seem wiser and better learned in cases of Law, and Conscience, than themselves. And the Divines, and such others as make shew of Learning, derive their knowledge from the Universities, and from the Schooles of Law, or from the Books, which by men eminent in those Schooles, and Universities have been published. It is therefore manifest, that the Instruction of the people, dependeth wholly, on the right teaching of Youth in the Universities. But are not (may some men say) the Universities of England learned enough already to do that? or is it you will undertake to teach the Universities? Hard questions.

Yet to the first, I doubt not to answer; that till towards the later end of Henry the Eighth, the Power of the Pope, was alwayes upheld against the Power of the Common-wealth, principally by the Universities; and that the doctrines maintained by so many Preachers, against the Sovereign Power of the King, and by so many Lawyers, and others, that had their education there, is a sufficient argument, that though the Universities were not authors of those false doctrines, yet they knew not how to plant the true. For in such a contradiction of Opinions, it is most certain, that they have not been sufficiently instructed; and 'tis no wonder, if they yet retain a relish of that subtile liquor, wherewith they were first seasoned, against the Civill Authority. But to the later question, it is not fit, nor needfull for me to say either I, or No: for any man that sees what I am doing, may easily perceive what I think.

The safety of the People, requireth further, from him, or them that have the Sovereign Power, that Justice be equally administred to all degrees of People; that is, that as well the rich, and mighty, as poor and obscure persons, may be righted of the injuries done them; so as the great, may have no greater hope of impunity, when they doe violence, dishonour, or any Injury to the meaner sort, than when one of these, does the like to one of them: For in this consisteth Equity; to which, as being a Precept of the Law of Nature, a Sovereign is as much subject, as any of the meanest of his People. All breaches of the Law, are offences against the Common-wealth: but there be some, that are also against private Persons. Those that concern the Common-wealth onely, may without breach of Equity be pardoned; for every man may pardon what is done against himselfe, according to his own discretion. But an offence against a private man, cannot in Equity be pardoned, without the consent of him that is injured; or reasonable satisfaction.

The Inequality of Subjects, proceedeth from the Acts of Sovereign Power; and therefore has no more place in the presence of the Sovereign; that is to say, in a Court of Justice, then the Inequality between Kings, and their Subjects, in the presence of the King of Kings. The honour of great Persons, is to be valued for their beneficence, and the aydes they give to men of inferiour rank, or not at all. And the violences, oppressions, and injuries they do, are not extenuated, but aggravated by the greatnesse of their persons; because they have least need to commit them. The consequences of this partiality towards the great, proceed in this manner. Impunity maketh Insolence; Insolence Hatred; and Hatred, an Endeavour to pull down all oppressing and contumelious greatnesse, though with the ruine of the Common-wealth.

Equall Taxes

To Equall Justice, appertaineth also the Equall imposition of Taxes; the equality whereof dependeth not on the Equality of riches, but on the Equality of the debt, that every man oweth to the Common-wealth for his defence. It is not enough, for a man to labour for the maintenance of his life; but also to fight, (if need be,) for the securing of his labour. They must either do as the Jewes did after their return from captivity, in re-difying the Temple, build with one hand, and hold the Sword in the other; or else they must hire others to fight for them. For the Impositions that are layd on the People by the Sovereign Power, are nothing else but the Wages, due to them that hold the publique Sword, to defend private men in the exercise of severall Trades, and Callings. Seeing then the benefit that every one receiveth thereby, is the enjoyment of life, which is equally dear to poor, and rich; the debt which a poor man oweth them that defend his life, is the same which a rich man oweth for the defence of his; saving that the rich, who have the service of the poor, may be debtors not onely for their own persons, but for many more. Which considered, the Equality of Imposition, consisteth rather in the Equality of that which is consumed, than of the riches of the persons that consume the same. For what reason is there, that he which laboureth much, and sparing the fruits of his labour, consumeth little, should be more charged, then he that living idly, getteth little, and spendeth all he gets; seeing the one hath no more protection from the Common-wealth, then the other? But when the Impositions, are layd upon those things which men consume, every man payeth Equally for what he useth: Nor is the Common-wealth defrauded, by the luxurious waste of private men.

Publique Charity

And whereas many men, by accident unavoidable, become unable to maintain themselves by their labour; they ought not to be left to the Charity of private persons; but to be provided for, (as far-forth as the necessities of Nature require,) by the Lawes of the Common-wealth. For as it is Uncharitableness in any man, to neglect the impotent; so it is in the Sovereign of a Common-wealth, to expose them to the hazard of such uncertain Charity.

Prevention Of Idleness

But for such as have strong bodies, the case is otherwise: they are to be forced to work; and to avoid the excuse of not finding employment, there ought to be such Lawes, as may encourage all manner of Arts; as Navigation, Agriculture, Fishing, and all manner of Manufacture that requires labour. The multitude of poor, and yet strong people still increasing, they are to be transplanted into Countries not sufficiently inhabited: where nevertheless, they are not to exterminate those they find there; but constrain them to inhabit closer together, and not range a great deal of ground, to snatch what they find; but to court each little Plot with art and labour, to give them their sustenance in due season. And when all the world is overchargd with Inhabitants, then the last remedy of all is Warre; which provideth for every man, by Victory, or Death.

Good Lawes What

To the care of the Sovereign, belongeth the making of Good Lawes. But what is a good Law? By a Good Law, I mean not a Just Law: for no Law can be Unjust. The Law is made by the Sovereign Power, and all that is done by such Power, is warranted, and owned by every one of the people; and that which every man will have so, no man can say is unjust. It is in the Lawes of a Common-wealth, as in the Lawes of Gaming: whatsoever the Gamesters all agree on, is Injustice to none of them. A good Law is that, which is Needfull, for the Good Of The People, and withall Perspicuous.

Such As Are Necessary

For the use of Lawes, (which are but Rules Authorised) is not to bind the People from all Voluntary actions; but to direct and keep them in such a motion, as not to hurt themselves by their own impetuous desires, rashness, or indiscretion, as Hedges are set, not to stop Travellers, but to keep them in the way. And therefore a Law that is not Needfull, having not the true End of a Law, is not Good. A Law may be conceived to be Good, when it is for the benefit of the Sovereign; though it be not Necessary for the People; but it is not so. For the good of the Sovereign and People, cannot be separated. It is a weak Sovereign, that has weak Subjects; and a weak People, whose Sovereign wanteth Power to rule them at his will. Unnecessary Lawes are not good Lawes; but trapps for Money: which where the right of Sovereign Power is acknowledged, are superfluous; and where it is not acknowledged, insufficient to defend the People.

Such As Are Perspicuous

The Perspicuity, consisteth not so much in the words of the Law it selfe, as in a Declaration of the Causes, and Motives, for which it was made. That is it, that shewes us the meaning of the Legislator, and the meaning of the Legislator known, the Law is more easily understood by few, than many words. For all words, are subject to ambiguity; and therefore multiplication of words in the body of the Law, is multiplication of ambiguity: Besides it seems to imply, (by too much diligence,) that whosoever can evade the words, is without the compasse of the Law. And this is a cause of many unnecessary Processes. For when I consider how short were the Lawes of antient times; and how they grew by degrees still longer; me thinks I see a contention between the Penners, and Pleaders of the Law; the former seeking to circumscribe the later; and the later to evade their circumscriptions; and that the Pleaders have got the Victory. It belongeth therefore to the Office of a Legislator, (such as is in all Common-wealths the Supreme Representative, be it one Man, or an Assembly,) to make the reason Perspicuous, why the Law was made; and the Body of the Law it selfe, as short, but in as proper, and significant termes, as may be.

Punishments

It belongeth also to the Office of the Sovereign, to make a right application of Punishments, and Rewards. And seeing the end of punishing is not revenge, and discharge of choler; but correction, either of the offender, or of others by his example; the severest Punishments are to be inflicted for those Crimes, that are of most Danger to the Publique; such as are those which proceed from malice to the Government established; those that spring from contempt of Justice; those that provoke Indignation in the Multitude; and those, which unpunished, seem Authorised, as when they are committed by Sonnes, Servants, or Favorites of men in Authority: For Indignation carrieth men, not onely against the Actors, and Authors of Injustice; but against all Power that is likely to protect them; as in the case of Tarquin; when for the Insolent act of one of his Sonnes, he was driven out of Rome, and the Monarchy it selfe dissolved. But Crimes of Infirmity; such as are those which proceed from great provocation, from great fear, great need, or from ignorance whether the Fact be a great Crime, or not, there is place many times for Lenity, without prejudice to the Common-wealth; and Lenity when there is such place for it, is required by the Law of Nature. The Punishment of the Leaders, and teachers in a Commotion; not the poore seduced People, when they are punished, can profit the Common-wealth by their example. To be severe to the People, is to punish that ignorance, which may in great part be imputed to the Sovereign, whose fault it was, they were no better instructed.

Rewards

In like manner it belongeth to the Office, and Duty of the Sovereign, to apply his Rewards alwayes so, as there may arise from them benefit to the Common-wealth: wherein consisteth their Use, and End; and is then done, when they that have well served the Common-wealth, are with as little expence of the Common Treasure, as is possible, so well recompenced, as others thereby may be encouraged, both to serve the same as faithfully as they can, and to study the arts by which they may be enabled to do it better. To buy with Mony, or Preferment, from a Popular ambitious Subject, to be quiet, and desist from making ill impressions in the mindes of the People, has nothing of the nature of Reward; (which is ordained not for disservice, but for service past;) nor a signe of Gratitude, but of Fear: nor does it tend to the Benefit, but to the Dammage of the Publique. It is a contention with Ambition, like that of Hercules with the Monster Hydra, which having many heads, for every one that was vanquished, there grew up three. For in like manner, when the stubbornnesse of one Popular man, is overcome with Reward, there arise many more (by the Example) that do the same Mischiefe, in hope of like Benefit: and as all sorts of Manufacture, so also Malice encreaseth by being vendible. And though sometimes a Civill warre, may be differred, by such wayes as that, yet the danger growes still the greater, and the Publique ruine more assured. It is therefore against the Duty of the Sovereign, to whom the Publique Safety is committed, to Reward those that aspire to greatnesse by disturbing the Peace of their Country, and not rather to oppose the beginnings of such men, with a little danger, than after a longer time with greater.

Counsellours

Another Businesse of the Sovereign, is to choose good Counsellours; I mean such, whose advice he is to take in the Government of the Common-wealth. For this word Counsell, Consilium, corrupted from Considium, is a large signification, and comprehendeth all Assemblies of men that sit together, not onely to deliberate what is to be done hereafter, but also to judge of Facts past, and of Law for the present. I take it here in the first sense onely: And in this sense, there is no choyce of Counsell, neither in a Democracy, nor Aristocracy; because the persons Counselling are members of the person Counsell'd. The choyce of Counsellours therefore is to Monarchy; In which, the Sovereign that endeavoureth not to make choyce of those, that in every kind are the most able, dischargeth not his Office as he ought to do. The most able Counsellours, are they that have least hope of benefit by giving evill Counsell, and most knowledge of those things that conduce to the Peace, and Defence of the Common-wealth. It is a hard matter to know who expecteth benefit from publique troubles; but the signes that guide to a just suspicion, is the soothing of the people in their unreasonable, or irremediable grievances, by men whose estates are not sufficient to

discharge their accustomed expences, and may easily be observed by any one whom it concerns to know it. But to know, who has most knowledge of the Publique affaires, is yet harder; and they that know them, need them a great deale the lesse. For to know, who knowes the Rules almost of any Art, is a great degree of the knowledge of the same Art; because no man can be assured of the truth of anothers Rules, but he that is first taught to understand them. But the best signes of Knowledge of any Art, are, much conversing in it, and constant good effects of it. Good Counsell comes not by Lot, nor by Inheritance; and therefore there is no more reason to expect good Advice from the rich, or noble, in matter of State, than in delineating the dimensions of a fortresse; unlesse we shall think there needs no method in the study of the Politiques, (as there does in the study of Geometry,) but onely to be lookers on; which is not so. For the Politiques is the harder study of the two. Whereas in these parts of Europe, it hath been taken for a Right of certain persons, to have place in the highest Councell of State by Inheritance; it is derived from the Conquests of the antient Germans; wherein many absolute Lords joyning together to conquer other Nations, would not enter in to the Confederacy, without such Priviledges, as might be marks of difference in time following, between their Posterity, and the posterity of their Subjects; which Priviledges being inconsistent with the Sovereign Power, by the favour of the Sovereign, they may seem to keep; but contending for them as their Right, they must needs by degrees let them go, and have at last no further honour, than adhaereth naturally to their abilities.

And how able soever be the Counsellours in any affaire, the benefit of their Counsell is greater, when they give every one his Advice, and reasons of it apart, than when they do it in an Assembly, by way of Orations; and when they have praemeditated, than when they speak on the sudden; both because they have more time, to survey the consequences of action; and are lesse subject to be carried away to contradiction, through Envy, Emulation, or other Passions arising from the difference of opinion.

The best Counsell, in those things that concern not other Nations, but onely the ease, and benefit the Subjects may enjoy, by Lawes that look onely inward, is to be taken from the generall informations, and complaints of the people of each Province, who are best acquainted with their own wants, and ought therefore, when they demand nothing in derogation of the essentiall Rights of Sovereignty, to be diligently taken notice of. For without those Essentiall Rights, (as I have often before said,) the Common-wealth cannot at all subsist.

Commanders

A Commander of an Army in chiefe, if he be not Popular, shall not be beloved, nor feared as he ought to be by his Army; and consequently cannot performe that office with good successe. He must therefore be Industrious, Valiant, Affable, Liberall and Fortunate, that he may gain an opinion both of sufficiency, and of loving his Souldiers. This is Popularity, and breeds in the Souldiers both desire, and courage, to recommend themselves to his favour; and protects the severity of the Generall, in punishing (when need is) the Mutinous, or negligent Souldiers. But this love of Souldiers, (if caution be not given of the Commanders fidelity,) is a dangerous thing to Sovereign Power; especially when it is in the hands of an Assembly not popular. It belongeth therefore to the safety of the People, both that they be good Conductors, and faithfull subjects, to whom the Sovereign Commits his Armies.

But when the Sovereign himselfe is Popular, that is, revered and beloved of his People, there is no danger at all from the Popularity of a Subject. For Souldiers are never so generally unjust, as to side with their Captain; though they love him, against their Sovereign, when they love not onely his Person, but also his Cause. And therefore those, who by violence have at any time suppressed the Power of their Lawfull Sovereign, before they could settle themselves in his place, have been alwayes put to the trouble of contriving their Titles, to save the People from the shame of receiving them. To have a known Right to Sovereign Power, is so popular a quality, as he that has it needs no more, for his own part, to turn the hearts of his Subjects to him, but that they see him able absolutely to govern his own Family: Nor, on the part of his enemies, but a disbanding of their Armies. For the greatest and most active part of Mankind, has never hetherto been well contented with the present.

Concerning the Offices of one Sovereign to another, which are comprehended in that Law, which is commonly called the Law of Nations, I need not say any thing in this place; because the Law of Nations, and the Law of Nature, is the same thing. And every Sovereign hath the same Right, in procuring the safety of his People, that any particular man can have, in procuring the safety of his own Body. And the same Law, that dictateth to men that have no Civil Government, what they ought to do, and what to avoyd in regard of one another, dictateth the same to Common-wealths, that is, to the Consciences of Sovereign Princes, and Sovereign Assemblies; there being no Court of Naturall Justice, but in the Conscience onely; where not Man, but God raigneth; whose Lawes, (such of them as oblige all Mankind,) in respect of God, as he is the Author of Nature, are Naturall; and in respect of the same God, as he is King of Kings, are Lawes. But of the Kingdome of God, as King of Kings, and as King also of a peculiar People, I shall speak in the rest of this discourse.

RULES FOR UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY

(the "Rules")

As approved by the ICANN Board of Directors on 30 October 2009.

These Rules are in effect for all UDRP proceedings in which a complaint is submitted to a provider on or after 1 March 2010. The prior version of the Rules, applicable to all proceedings in which a complaint was submitted to a Provider on or before 28 February 2010, is at <http://www.icann.org/en/dndr/udrp/uniform-rules-24oct99-en.htm>. UDRP Providers may elect to adopt the notice procedures set forth in these Rules prior to 1 March 2010.

Administrative proceedings for the resolution of disputes under the Uniform Dispute Resolution Policy adopted by ICANN shall be governed by these Rules and also the Supplemental Rules of the Provider administering the proceedings, as posted on its web site. To the extent that the Supplemental Rules of any Provider conflict with these Rules, these Rules supersede.

Definitions

In these Rules:

Complainant means the party initiating a complaint concerning a domain-name registration.

ICANN refers to the Internet Corporation for Assigned Names and Numbers.

Mutual Jurisdiction means a court jurisdiction at the location of either (a) the principal office of the Registrar (provided the domain-name holder has submitted in its Registration Agreement to that jurisdiction for court adjudication of disputes concerning or arising from the use of the domain name) or (b) the domain-name holder's address as shown for the registration of the domain name in Registrar's Whois database at the time the complaint is submitted to the Provider.

Panel means an administrative panel appointed by a Provider to decide a complaint concerning a domain-name registration.

Panelist means an individual appointed by a Provider to be a member of a Panel.

Party means a Complainant or a Respondent.

Policy means the Uniform Domain Name Dispute Resolution Policy that is incorporated by reference and made a part of the Registration Agreement.

Provider means a dispute-resolution service provider approved by ICANN. A list of such Providers appears at <http://www.icann.org/en/dndr/udrp/approved-providers.htm>.

Registrar means the entity with which the Respondent has registered a domain name that is the subject of a complaint.

Registration Agreement means the agreement between a Registrar and a domain-name holder.

Respondent means the holder of a domain-name registration against which a complaint is initiated.

Reverse Domain Name Hijacking means using the Policy in bad faith to attempt to deprive a registered domain-name holder of a domain name.

Supplemental Rules means the rules adopted by the Provider administering a proceeding to supplement these Rules. Supplemental Rules shall not be inconsistent with the Policy or these Rules and shall cover such topics as fees, word and page limits and guidelines, file size and format modalities, the means for communicating with the Provider and the Panel, and the form of cover sheets.

Written Notice means hardcopy notification by the Provider to the Respondent of the commencement of an administrative proceeding under the Policy which shall inform the respondent that a complaint has been filed against it, and which shall state that the Provider has electronically transmitted the complaint including any annexes to the Respondent by the means specified herein. Written notice does not include a hardcopy of the complaint itself or of any annexes.

Communications

(a) When forwarding a complaint, including any annexes, electronically to the Respondent, it shall be the Provider's responsibility to employ reasonably available means calculated to achieve actual notice to Respondent. Achieving actual notice, or employing the following measures to do so, shall discharge this responsibility:

(i) sending Written Notice of the complaint to all postal-mail and facsimile addresses (A) shown in the domain name's registration data in Registrar's Whois database for the registered domain-name holder, the technical contact, and the administrative contact and (B) supplied by Registrar to the Provider for the registration's billing contact; and

(ii) sending the complaint, including any annexes, in electronic form by e-mail to:

(A) the e-mail addresses for those technical, administrative, and billing contacts;

(B) postmaster@<the contested domain name>; and

(C) if the domain name (or "www." followed by the domain name) resolves to an active web page (other than a generic page the Provider concludes is maintained by a registrar or ISP for parking domain-names registered by multiple domain-name holders), any e-mail address shown or e-mail links on that web page; and

(iii) sending the complaint, including any annexes, to any e-mail address the Respondent has notified the Provider it prefers and, to the extent practicable, to all other e-mail addresses provided to the Provider by Complainant under Paragraph 3(b)(v).

(b) Except as provided in Paragraph 2(a), any written communication to Complainant or Respondent provided for under these Rules shall be made electronically via the Internet (a record of its transmission being available), or by any reasonably requested preferred means stated by the Complainant or Respondent, respectively (see Paragraphs 3(b)(iii) and 5(b)(iii)).

(c) Any communication to the Provider or the Panel shall be made by the means and in the manner (including, where applicable, the number of copies) stated in the Provider's Supplemental Rules.

(d) Communications shall be made in the language prescribed in Paragraph 11.

(e) Either Party may update its contact details by notifying the Provider and the Registrar.

(f) Except as otherwise provided in these Rules, or decided by a Panel, all communications provided for under these Rules shall be deemed to have been made:

(i) if via the Internet, on the date that the communication was transmitted, provided that the date of transmission is verifiable; or, where applicable

(ii) if delivered by telecopy or facsimile transmission, on the date shown on the confirmation of transmission; or:

(iii) if by postal or courier service, on the date marked on the receipt.

(g) Except as otherwise provided in these Rules, all time periods calculated under these Rules to begin when a communication is made shall begin to run on the earliest date that the communication is deemed to have been made in accordance with Paragraph 2(f).

(h) Any communication by

(i) a Panel to any Party shall be copied to the Provider and to the other Party;

(ii) the Provider to any Party shall be copied to the other Party; and

(iii) a Party shall be copied to the other Party, the Panel and the Provider, as the case may be.

(i) It shall be the responsibility of the sender to retain records of the fact and circumstances of sending, which shall be available for inspection by affected parties and for reporting purposes. This includes the Provider in sending Written Notice to the Respondent by post and/or facsimile under Paragraph 2(a)(i).

(j) In the event a Party sending a communication receives notification of non-delivery of the communication, the Party shall promptly notify the Panel (or, if no Panel is yet appointed, the Provider) of the circumstances of the notification. Further proceedings concerning the communication and any response shall be as directed by the Panel (or the Provider).

The Complaint

(a) Any person or entity may initiate an administrative proceeding by submitting a complaint in accordance with the Policy and these Rules to any Provider approved by ICANN. (Due to capacity constraints or for other reasons, a Provider's ability to accept complaints may be suspended at times. In that event, the Provider shall refuse the submission. The person or entity may submit the complaint to another Provider.)

(b) The complaint including any annexes shall be submitted in electronic form and shall:

(i) Request that the complaint be submitted for decision in accordance with the Policy and these Rules;

(ii) Provide the name, postal and e-mail addresses, and the telephone and telefax numbers of the Complainant and of any representative authorized to act for the Complainant in the administrative proceeding;

(iii) Specify a preferred method for communications directed to the Complainant in the administrative proceeding (including person to be contacted, medium, and address information) for each of (A) electronic-only material and (B) material including hard copy (where applicable);

(iv) Designate whether Complainant elects to have the dispute decided by a single-member or a three-member Panel and, in the event Complainant elects a three-member Panel, provide the names and contact details of three candidates to serve as one of the Panelists (these candidates may be drawn from any ICANN-approved Provider's list of panelists);

(v) Provide the name of the Respondent (domain-name holder) and all information (including any postal and e-mail addresses and telephone and telefax numbers) known to Complainant regarding how to contact Respondent or any representative of Respondent, including contact information based on pre-complaint dealings, in sufficient detail to allow the Provider to send the complaint as described in Paragraph 2(a);

(vi) Specify the domain name(s) that is/are the subject of the complaint;

(vii) Identify the Registrar(s) with whom the domain name(s) is/are registered at the time the complaint is filed;

(viii) Specify the trademark(s) or service mark(s) on which the complaint is based and, for each mark, describe the goods or services, if any, with which the mark is used (Complainant may also separately describe other goods and services with which it intends, at the time the complaint is submitted, to use the mark in the future.);

(ix) Describe, in accordance with the Policy, the grounds on which the complaint is made including, in particular,

(1) the manner in which the domain name(s) is/are identical or confusingly similar to a trademark or service mark in which the Complainant has rights; and

(2) why the Respondent (domain-name holder) should be considered as having no rights or legitimate interests in respect of the domain name(s) that is/are the subject of the complaint; and

(3) why the domain name(s) should be considered as having been registered and being used in bad faith

(The description should, for elements (2) and (3), discuss any aspects of Paragraphs 4(b) and 4(c) of the Policy that are applicable. The description shall comply with any word or page limit set forth in the Provider's Supplemental Rules.);

(x) Specify, in accordance with the Policy, the remedies sought;

(xi) Identify any other legal proceedings that have been commenced or terminated in connection with or relating to any of the domain name(s) that are the subject of the complaint;

(xii) State that a copy of the complaint, including any annexes, together with the cover sheet as prescribed by the Provider's Supplemental Rules, has been sent or transmitted to the Respondent (domain-name holder), in accordance with Paragraph 2(b);

(xiii) State that Complainant will submit, with respect to any challenges to a decision in the administrative proceeding canceling or transferring the domain name, to the jurisdiction of the courts in at least one specified Mutual Jurisdiction;

(xiv) Conclude with the following statement followed by the signature (in any electronic format) of the Complainant or its authorized representative:

"Complainant agrees that its claims and remedies concerning the registration of the domain name, the dispute, or the dispute's resolution shall be solely against the domain-name holder and waives all such claims and remedies against (a) the dispute-resolution provider and panelists, except in the case of deliberate wrongdoing, (b) the registrar, (c) the registry administrator, and (d) the Internet Corporation for Assigned Names and Numbers, as well as their directors, officers, employees, and agents."

"Complainant certifies that the information contained in this Complaint is to the best of Complainant's knowledge complete and accurate, that this Complaint is not being presented for any improper purpose, such as to harass, and that the assertions in this Complaint are warranted under these Rules and under applicable law, as it now exists or as it may be extended by a good-faith and reasonable argument."; and

(xv) Annex any documentary or other evidence, including a copy of the Policy applicable to the domain name(s) in dispute and any trademark or service mark registration upon which the complaint relies, together with a schedule indexing such evidence.

(c) The complaint may relate to more than one domain name, provided that the domain names are registered by the same domain-name holder.

Notification of Complaint

(a) The Provider shall review the complaint for administrative compliance with the Policy and these Rules and, if in compliance, shall forward the complaint, including any annexes, electronically to the Respondent and shall send Written Notice of the complaint (together with the explanatory cover sheet prescribed by the Provider's Supplemental Rules) to the Respondent, in the manner prescribed by Paragraph 2(a), within three (3) calendar days following receipt of the fees to be paid by the Complainant in accordance with Paragraph 19.

(b) If the Provider finds the complaint to be administratively deficient, it shall promptly notify the Complainant and the Respondent of the nature of the deficiencies identified. The Complainant shall have five (5) calendar days within which to correct any such deficiencies, after which the administrative proceeding will be deemed withdrawn without prejudice to submission of a different complaint by Complainant.

(c) The date of commencement of the administrative proceeding shall be the date on which the Provider completes its responsibilities under Paragraph 2(a) in connection with sending the complaint to the Respondent.

(d) The Provider shall immediately notify the Complainant, the Respondent, the concerned Registrar(s), and ICANN of the date of commencement of the administrative proceeding.

The Response

(a) Within twenty (20) days of the date of commencement of the administrative proceeding the Respondent shall submit a response to the Provider.

(b) The response, including any annexes, shall be submitted in electronic form and shall:

(i) Respond specifically to the statements and allegations contained in the complaint and include any and all bases for the Respondent (domain-name holder) to retain registration and use of the disputed domain name (This portion of the response shall comply with any word or page limit set forth in the Provider's Supplemental Rules.);

(ii) Provide the name, postal and e-mail addresses, and the telephone and telefax numbers of the Respondent (domain-name holder) and of any representative authorized to act for the Respondent in the administrative proceeding;

(iii) Specify a preferred method for communications directed to the Respondent in the administrative proceeding (including person to be contacted, medium, and address information) for each of (A) electronic-only material and (B) material including hard copy (where applicable);

(iv) If Complainant has elected a single-member panel in the complaint (see Paragraph 3(b)(iv)), state whether Respondent elects instead to have the dispute decided by a three-member panel;

(v) If either Complainant or Respondent elects a three-member Panel, provide the names and contact details of three candidates to serve as one of the Panelists (these candidates may be drawn from any ICANN-approved Provider's list of panelists);

(vi) Identify any other legal proceedings that have been commenced or terminated in connection with or relating to any of the domain name(s) that are the subject of the complaint;

(vii) State that a copy of the response including any annexes has been sent or transmitted to the Complainant, in accordance with Paragraph 2(b); and

(viii) Conclude with the following statement followed by the signature (in any electronic format) of the Respondent or its authorized representative:

"Respondent certifies that the information contained in this Response is to the best of Respondent's knowledge complete and accurate, that this Response is not being presented for any improper purpose, such as to harass, and that the assertions in this Response are warranted under these Rules and under applicable law, as it now exists or as it may be extended by a good-faith and reasonable argument."; and

(ix) Annex any documentary or other evidence upon which the Respondent relies, together with a schedule indexing such documents.

(c) If Complainant has elected to have the dispute decided by a single-member Panel and Respondent elects a three-member Panel, Respondent shall be required to pay one-half of the applicable fee for a three-member Panel as set forth in the Provider's Supplemental Rules. This payment shall be made together with the submission of the response to the Provider. In the event that the required payment is not made, the dispute shall be decided by a single-member Panel.

(d) At the request of the Respondent, the Provider may, in exceptional cases, extend the period of time for the filing of the response. The period may also be extended by written stipulation between the Parties, provided the stipulation is approved by the Provider.

(e) If a Respondent does not submit a response, in the absence of exceptional circumstances, the Panel shall decide the dispute based upon the complaint.

Appointment of the Panel and Timing of Decision

(a) Each Provider shall maintain and publish a publicly available list of panelists and their qualifications.

(b) If neither the Complainant nor the Respondent has elected a three-member Panel (Paragraphs 3(b)(iv) and 5(b)(iv)), the Provider shall appoint, within five (5) calendar days following receipt of the response by the Provider, or the lapse of the time period for the submission thereof, a single Panelist from its list of panelists. The fees for a single-member Panel shall be paid entirely by the Complainant.

(c) If either the Complainant or the Respondent elects to have the dispute decided by a three-member Panel, the Provider shall appoint three Panelists in accordance with the procedures identified in Paragraph 6(e). The fees for a three-member Panel shall be paid in their entirety by the Complainant, except where the election for a three-member Panel was made by the Respondent, in which case the applicable fees shall be shared equally between the Parties.

(d) Unless it has already elected a three-member Panel, the Complainant shall submit to the Provider, within five (5) calendar days of communication of a response in which the Respondent elects a three-member Panel, the names and contact details of three candidates to serve as one of the Panelists. These candidates may be drawn from any ICANN-approved Provider's list of panelists.

(e) In the event that either the Complainant or the Respondent elects a three-member Panel, the Provider shall endeavor to appoint one Panelist from the list of candidates provided by each of the Complainant and the Respondent. In the event the Provider is unable within five (5) calendar days to secure the appointment of a Panelist on its customary terms from either Party's list of candidates, the Provider shall make that appointment from its list of panelists. The third Panelist shall be appointed by the Provider from a list of five candidates submitted by the Provider to the Parties, the Provider's selection from among the five being made in a manner that reasonably balances the preferences of both Parties, as they may

specify to the Provider within five (5) calendar days of the Provider's submission of the five-candidate list to the Parties.

(f) Once the entire Panel is appointed, the Provider shall notify the Parties of the Panelists appointed and the date by which, absent exceptional circumstances, the Panel shall forward its decision on the complaint to the Provider.

Impartiality and Independence

A Panelist shall be impartial and independent and shall have, before accepting appointment, disclosed to the Provider any circumstances giving rise to justifiable doubt as to the Panelist's impartiality or independence. If, at any stage during the administrative proceeding, new circumstances arise that could give rise to justifiable doubt as to the impartiality or independence of the Panelist, that Panelist shall promptly disclose such circumstances to the Provider. In such event, the Provider shall have the discretion to appoint a substitute Panelist.

Communication Between Parties and the Panel

No Party or anyone acting on its behalf may have any unilateral communication with the Panel. All communications between a Party and the Panel or the Provider shall be made to a case administrator appointed by the Provider in the manner prescribed in the Provider's Supplemental Rules.

Transmission of the File to the Panel

The Provider shall forward the file to the Panel as soon as the Panelist is appointed in the case of a Panel consisting of a single member, or as soon as the last Panelist is appointed in the case of a three-member Panel.

General Powers of the Panel

(a) The Panel shall conduct the administrative proceeding in such manner as it considers appropriate in accordance with the Policy and these Rules.

(b) In all cases, the Panel shall ensure that the Parties are treated with equality and that each Party is given a fair opportunity to present its case.

(c) The Panel shall ensure that the administrative proceeding takes place with due expedition. It may, at the request of a Party or on its own motion, extend, in exceptional cases, a period of time fixed by these Rules or by the Panel.

(d) The Panel shall determine the admissibility, relevance, materiality and weight of the evidence.

(e) A Panel shall decide a request by a Party to consolidate multiple domain name disputes in accordance with the Policy and these Rules.

Language of Proceedings

(a) Unless otherwise agreed by the Parties, or specified otherwise in the Registration Agreement, the language of the administrative proceeding shall be the language of the Registration Agreement, subject to the authority of the Panel to determine otherwise, having regard to the circumstances of the administrative proceeding.

(b) The Panel may order that any documents submitted in languages other than the language of the administrative proceeding be accompanied by a translation in whole or in part into the language of the administrative proceeding.

Further Statements

In addition to the complaint and the response, the Panel may request, in its sole discretion, further statements or documents from either of the Parties.

In-Person Hearings

There shall be no in-person hearings (including hearings by teleconference, videoconference, and web conference), unless the Panel determines, in its sole discretion and as an exceptional matter, that such a hearing is necessary for deciding the complaint.

Default

(a) In the event that a Party, in the absence of exceptional circumstances, does not comply with any of the time periods established by these Rules or the Panel, the Panel shall proceed to a decision on the complaint.

(b) If a Party, in the absence of exceptional circumstances, does not comply with any provision of, or requirement under, these Rules or any request from the Panel, the Panel shall draw such inferences therefrom as it considers appropriate.

Panel Decisions

(a) A Panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable.

(b) In the absence of exceptional circumstances, the Panel shall forward its decision on the complaint to the Provider within fourteen (14) days of its appointment pursuant to Paragraph 6.

(c) In the case of a three-member Panel, the Panel's decision shall be made by a majority.

(d) The Panel's decision shall be in writing, provide the reasons on which it is based, indicate the date on which it was rendered and identify the name(s) of the Panelist(s).

(e) Panel decisions and dissenting opinions shall normally comply with the guidelines as to length set forth in the Provider's Supplemental Rules. Any dissenting opinion shall accompany the majority decision. If the Panel concludes that the dispute is not within the scope of Paragraph 4(a) of the Policy, it shall so state. If after considering the submissions the Panel finds that the complaint was brought in bad faith, for example in an attempt at Reverse Domain Name Hijacking or was brought primarily to harass the domain-name holder, the Panel shall declare in its decision that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.

Communication of Decision to Parties

(a) Within three (3) calendar days after receiving the decision from the Panel, the Provider shall communicate the full text of the decision to each Party, the concerned Registrar(s), and ICANN. The concerned Registrar(s) shall immediately communicate to each Party, the Provider, and ICANN the date for the implementation of the decision in accordance with the Policy.

(b) Except if the Panel determines otherwise (see Paragraph 4(j) of the Policy), the Provider shall publish the full decision and the date of its implementation on a publicly accessible web site. In any event, the portion of any decision determining a complaint to have been brought in bad faith (see Paragraph 15(e) of these Rules) shall be published.

Settlement or Other Grounds for Termination

(a) If, before the Panel's decision, the Parties agree on a settlement, the Panel shall terminate the administrative proceeding.

(b) If, before the Panel's decision is made, it becomes unnecessary or impossible to continue the administrative proceeding for any reason, the Panel shall terminate the administrative proceeding, unless a Party raises justifiable grounds for objection within a period of time to be determined by the Panel.

Effect of Court Proceedings

(a) In the event of any legal proceedings initiated prior to or during an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, the Panel shall have the discretion to decide whether to suspend or terminate the administrative proceeding, or to proceed to a decision.

(b) In the event that a Party initiates any legal proceedings during the pendency of an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, it shall promptly notify the Panel and the Provider. See Paragraph 8 above.

Fees

(a) The Complainant shall pay to the Provider an initial fixed fee, in accordance with the Provider's Supplemental Rules, within the time and in the amount required. A Respondent electing under Paragraph 5(b)(iv) to have the dispute decided by a three-member Panel, rather than the single-member Panel elected by the Complainant, shall pay the Provider one-half the fixed fee for a three-member Panel. See Paragraph 5(c). In all other cases, the Complainant shall bear all of the Provider's fees, except as prescribed under Paragraph 19(d). Upon appointment of the Panel, the Provider shall refund the appropriate portion, if any, of the initial fee to the Complainant, as specified in the Provider's Supplemental Rules.

(b) No action shall be taken by the Provider on a complaint until it has received from Complainant the initial fee in accordance with Paragraph 19(a).

(c) If the Provider has not received the fee within ten (10) calendar days of receiving the complaint, the complaint shall be deemed withdrawn and the administrative proceeding terminated.

(d) In exceptional circumstances, for example in the event an in-person hearing is held, the Provider shall request the Parties for the payment of additional fees, which shall be established in agreement with the Parties and the Panel.

Exclusion of Liability

Except in the case of deliberate wrongdoing, neither the Provider nor a Panelist shall be liable to a Party for any act or omission in connection with any administrative proceeding under these Rules.

Amendments

The version of these Rules in effect at the time of the submission of the complaint to the Provider shall apply to the administrative proceeding commenced thereby. These Rules may not be amended without the express written approval of ICANN.

COMMISSION REGULATION (EC) No 874/2004 OF 28 APRIL 2004

laying down public policy rules concerning the implementation and functions of the.eu Top Level Domain and the principles governing registration

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 733/2002 of the European Parliament and of the Council of 22 April 2002 on the implementation of the.eu Top Level Domain(1), and in particular Article 5(1) thereof,

Having consulted the Registry in accordance with Article 5(1) of Regulation (EC) No 733/2002,

Whereas:

(1) The initial implementation stages of the.eu Top Level Domain (TLD), to be created pursuant to Regulation (EC) No 733/2002, have been completed by designating a legal entity, established within the Community to administer and manage the.eu TLD Registry function. The Registry, designated by Commission Decision 2003/375/EC(2), is required to be a non-profit organisation that should operate and provide services on a cost covering basis and at an affordable price.

(2) Requesting a domain name should be possible through electronic means in a simple, speedy and efficient procedure, in all official languages of the Community, through accredited registrars.

(3) Accreditation of registrars should be carried out by the Registry following a procedure that ensures fair and open competition between Registrars. The accreditation process should be objective, transparent and non-discriminatory. Only parties who meet certain basic technical requirements to be determined by the Registry should be eligible for accreditation.

(4) Registrars should only accept applications for the registration of domain names filed after their accreditation and should forward them in the chronological order in which they were received.

(5) To ensure better protection of consumers' rights, and without prejudice to any Community rules concerning jurisdiction and applicable law, the applicable law in disputes between registrars and registrants on matters concerning Community titles should be the law of one of the Member States.

(6) Registrars should require accurate contact information from their clients, such as full name, address of domicile, telephone number and electronic mail, as well as information concerning a natural or legal person responsible for the technical operation of the domain name.

(7) The Registry policy should promote the use of all the official languages of the Community.

(8) Pursuant to Regulation (EC) No 733/2002, Member States may request that their official name and the name under which they are commonly known should not be registered directly under.eu TLD otherwise than by their national government. Countries that are expected to join the European Union later than May 2004 should be enabled to block their official names and the names under which they are commonly known, so that they can be registered at a later date.

(9) A Member State should be authorised to designate an operator that will register as a domain name its official name and the name under which it is commonly known. Similarly, the Commission should be

authorised to select domain names for use by the institutions of the Community, and to designate the operator of those domain names. The Registry should be empowered to reserve a number of specified domain names for its operational functions.

(10) In accordance with Article 5(2) of Regulation (EC) No 733/2002, a number of Member States have notified to the Commission and to other Member States a limited list of broadly-recognised names with regard to geographical and/or geopolitical concepts which affect their political or territorial organisation. Such lists include names that could either not be registered or which could be registered only under the second level domain in accordance with the public policy rules. The names included in these lists are not subject to the first-come first-served principle.

(11) The principle of first-come-first-served should be the basic principle for resolving a dispute between holders of prior rights during the phased registration. After the termination of the phased registration the principle of first come first served should apply in the allocation of domain names.

(12) In order to safeguard prior rights recognised by Community or national law, a procedure for phased registration should be put in place. Phased registration should take place in two phases, with the aim of ensuring that holders of prior rights have appropriate opportunities to register the names on which they hold prior rights. The Registry should ensure that validation of the rights is performed by appointed validation agents. On the basis of evidence provided by the applicants, validation agents should assess the right which is claimed for a particular name. Allocation of that name should then take place on a first-come, first-served basis if there are two or more applicants for a domain name, each having a prior right.

(13) The Registry should enter into an appropriate escrow agreement to ensure continuity of service, and in particular to ensure that in the event of re-delegation or other unforeseen circumstances it is possible to continue to provide services to the local Internet community with minimum disruption. The Registry should also comply with the relevant data protection rules, principles, guidelines and best practices, notably concerning the amount and type of data displayed in the WHOIS database. Domain names considered by a Member State court to be defamatory, racist or contrary to public policy should be blocked and eventually revoked once the court decision becomes final. Such domain names should be blocked from future registrations.

(14) In the event of the death or insolvency of a domain name holder, if no transfer has been initiated at the expiry of the registration period, the domain name should be suspended for 40 calendar days. If the heirs or administrators concerned have not registered the name during that period it should become available for general registration.

(15) Domain names should be open to revocation by the Registry on a limited number of specified grounds, after giving the domain name holder concerned an opportunity to take appropriate measures. Domain names should also be capable of revocation through an alternative dispute resolution (ADR) procedure.

(16) The Registry should provide for an ADR procedure which takes into account the international best practices in this area and in particular the relevant World Intellectual Property Organization (WIPO) recommendations, to ensure that speculative and abusive registrations are avoided as far as possible.

(17) The Registry should select service providers that have appropriate expertise on the basis of objective, transparent and non-discriminatory criteria. ADR should respect a minimum of uniform procedural rules, similar to the ones set out in the Uniform Dispute Resolution Policy adopted by the Internet Corporation of Assigned Names and Numbers (ICANN).

(18) In view of the impending enlargement of the Union it is imperative that the system of public policy rules set up by this Regulation enter into force without delay.

(19) The measures provided for in this Regulation are in accordance with the opinion of the Communications Committee established by Article 22(1) of Directive 2002/21/EC of the European Parliament and of the Council(3),

HAS ADOPTED THIS REGULATION:

CHAPTER I SUBJECT MATTER

Article 1

Subject matter

This Regulation sets out the public policy rules concerning the implementation and functions of the.eu Top Level Domain (TLD) and the public policy principles on registration referred to in Article 5(1) of Regulation (EC) No 733/2002.

CHAPTER II PRINCIPLES ON REGISTRATION

Article 2

Eligibility and general principles for registration

An eligible party, as listed in Article 4(2)(b) of Regulation (EC) No 733/2002, may register one or more domain names under.eu TLD.

Without prejudice to Chapter IV, a specific domain name shall be allocated for use to the eligible party whose request has been received first by the Registry in the technically correct manner and in accordance with this Regulation. For the purposes of this Regulation, this criterion of first receipt shall be referred to as the "first-come-first-served" principle.

Once a domain name is registered it shall become unavailable for further registration until the registration expires without renewal, or until the domain name is revoked.

Unless otherwise specified in this Regulation, domain names shall be registered directly under the.eu TLD.

Domain name registration shall be valid only after the appropriate fee has been paid by the requesting party.

Domain names registered under the.eu TLD shall only be transferable to parties that are eligible for registration of.eu domain names.

Article 3

Requests for domain name registration

The request for domain name registration shall include all of the following:

- (a) the name and address of the requesting party;
- (b) a confirmation by electronic means from the requesting party that it satisfies the general eligibility criteria set out in Article 4(2)(b) of Regulation (EC) No 733/2002;
- (c) an affirmation by electronic means from the requesting party that to its knowledge the request for domain name registration is made in good faith and does not infringe any rights of a third party;

(d) an undertaking by electronic means from the requesting party that it shall abide by all the terms and conditions for registration, including the policy on the extra-judicial settlement of conflicts set out in Chapter VI.

Any material inaccuracy in the elements set out in points (a) to (d) shall constitute a breach of the terms of registration.

Any verification by the Registry of the validity of registration applications shall take place subsequently to the registration at the initiative of the Registry or pursuant to a dispute for the registration of the domain name in question, except for applications filed in the course of the phased registration procedure under Articles 10, 12, and 14.

Article 4

Accreditation of registrars

Only registrars accredited by the Registry shall be permitted to offer registration services for names under the.eu TLD.

The procedure for the accreditation of registrars shall be determined by the Registry and shall be reasonable, transparent and non-discriminatory, and shall ensure effective and fair conditions of competition.

Registrars are required to access and use the Registry's automated registration systems. The Registry may set further basic technical requirements for the accreditation of registrars.

The Registry may ask registrars for advance payment of registration fees, to be set annually by the Registry based on a reasonable market estimate.

The procedure, terms of accreditation of registrars and the list of accredited registrars shall be made publicly available by the Registry in readily accessible form.

Each registrar shall be bound by contract with the Registry to observe the terms of accreditation and in particular to comply with the public policy principles set out in this Regulation.

Article 5

Provisions for registrars

Without prejudice to any rule governing jurisdiction and applicable law, agreements between the Registrar and the registrant of a domain name cannot designate, as applicable law, a law other than the law of one of the Member States, nor can they designate a dispute-resolution body, unless selected by the Registry pursuant to Article 23, nor an arbitration court or a court located outside the Community.

A registrar who receives more than one registration request for the same name shall forward those requests to the Registry in the chronological order in which they were received.

Only applications received after the date of accreditation shall be forwarded to the Registry.

Registrars shall require all applicants to submit accurate and reliable contact details of at least one natural or legal person responsible for the technical operation of the domain name that is requested.

Registrars may develop label, authentication and trustmark schemes in order to promote consumer confidence in the reliability of information that is available under a domain name that is registered by them, in accordance with applicable national and Community law.

CHAPTER III LANGUAGES AND GEOGRAPHICAL CONCEPTS

Article 6

Languages

Registrations of .eu domain names shall start only after the Registry has informed the Commission that the filing of applications for the registration of .eu domain names and communications of decisions concerning registration is possible in all official languages of the Community, hereinafter referred to as "official languages".

For any communication by the Registry that affects the rights of a party in conjunction with a registration, such as the grant, transfer, cancellation or revocation of a domain, the Registry shall ensure that these communications are possible in all official languages.

The Registry shall perform the registration of domain names in all the alphabetic characters of the official languages when adequate international standards become available.

The Registry shall not be required to perform functions using languages other than the official languages.

Article 7

Procedure for reserved geographical and geopolitical names

For the procedure of raising objections to the lists of broadly recognised names in accordance with the third subparagraph of Article 5(2) of Regulation (EC) No 733/2002, objections shall be notified to the members of the Communications Committee established by Article 22(1) of Directive 2002/21/EC and to the Director-General of the Commission's Directorate-General Information Society. The members of the Communications Committee and the Director-General may designate other contact points for these notifications.

Objections and designations of contact points shall be notified in the form of electronic mail, delivery by courier or in person, or by postal delivery effected by way of registered letter and acknowledgement of receipt.

Upon the resolution of any objections, the Registry shall publish on its web site two lists of names. The one list shall contain the list of names that the Commission shall have notified as "not registrable". The other list shall contain the list of names that the Commission shall have notified to the Registry as "registrable only under a second level domain".

Article 8

Country names and alpha-2 codes representing countries

Member States (and acceding countries) may request that their official name and the name under which they are commonly known in one or more of the official languages (of the Community as extended in May 2004) shall not be registered directly under the .eu TLD by any person other than their national government. To that end, each Member State (or acceding country) shall send the Commission, within two months following the entry into force of this Regulation, a list of those names requiring to be reserved, as well as a designation of the body that will represent the national government in registering the names.

The Commission shall notify the Registry of the names that shall be reserved and the bodies that represent the national governments in registering the names.

Candidate countries that are not due to join the European Union in May 2004 and member countries of the European Economic Area that are not Member States may request that their official name and the name

under which they are commonly known in their own language and in any of the official languages as from May 2004 shall not be registered directly under the.eu TLD. To that end, those countries may send the Commission, within two months following entry into force of this Regulation, a list of those names which are not to be registered.

The Commission shall notify the Registry of the names that shall not be registered.

Alpha-2 codes representing countries shall not be used to register domain names directly under the.eu TLD.

Article 9

Second level domain name for geographical and geopolitical names

Registration of geographical and geopolitical concepts as domain names in accordance with Article 5(2)(b) of Regulation (EC) No 733/2002 may be provided for by a Member State that has notified the names. This may be done under any domain name that has been registered by that Member State.

The Commission may ask the Registry to introduce domain names directly under the.eu TLD for use by the Community institutions and bodies. After the entry into force of this Regulation and not later than a week before the beginning of the phased registration period provided for in Chapter IV, the Commission shall notify the Registry of the names that are to be reserved and the bodies that represent the Community institutions and bodies in registering the names.

CHAPTER IV PHASED REGISTRATION

Article 10

Eligible parties and the names they can register

1. Holders of prior rights recognised or established by national and/or Community law and public bodies shall be eligible to apply to register domain names during a period of phased registration before general registration of .eu domain starts.

"Prior rights" shall be understood to include, inter alia, registered national and community trademarks, geographical indications or designations of origin, and, in as far as they are protected under national law in the Member-State where they are held: unregistered trademarks, trade names, business identifiers, company names, family names, and distinctive titles of protected literary and artistic works.

"Public bodies" shall include: institutions and bodies of the Community, national and local governments, governmental bodies, authorities, organisations and bodies governed by public law, and international and intergovernmental organisations.

2. The registration on the basis of a prior right shall consist of the registration of the complete name for which the prior right exists, as written in the documentation which proves that such a right exists.

3. The registration by a public body may consist of the complete name of the public body or the acronym that is generally used. Public bodies that are responsible for governing a particular geographic territory may also register the complete name of the territory for which they are responsible, and the name under which the territory is commonly known.

Article 11

Special characters

As far as the registration of complete names is concerned, where such names comprise a space between the textual or word elements, identity shall be deemed to exist between such complete names and the same names written with a hyphen between the word elements or combined in one word in the domain name applied for.

Where the name for which prior rights are claimed contains special characters, spaces, or punctuations, these shall be eliminated entirely from the corresponding domain name, replaced with hyphens, or, if possible, rewritten.

Special character and punctuations as referred to in the second paragraph shall include the following:

~ @ > REFERENCE TO A GRAPHIC > \$ % ^ & * () + = < > { } [...] | \ / ; ' , . ?

Without prejudice to the third paragraph of Article 6, if the prior right name contains letters which have additional elements that cannot be reproduced in ASCII code, such as ä, é or ñ, the letters concerned shall be reproduced without these elements (such as a, e, n), or shall be replaced by conventionally accepted spellings (such as ae). In all other respects, the domain name shall be identical to the textual or word elements of the prior right name.

Article 12

Principles for phased registration

1. Phased registration shall not start before 1 May 2004 and only when the requirement of the first paragraph of Article 6 is fulfilled and the period provided for in Article 8 has expired.

The Registry shall publish the date on which phased registration shall start at least two months in advance and shall inform all accredited Registrars accordingly.

The Registry shall publish on its website two months before the beginning of the phased registration a detailed description of all the technical and administrative measures that it shall use to ensure a proper, fair and technically sound administration of the phased registration period.

2. The duration of the phased registration period shall be four months. General registration of domain names shall not start prior to the completion of the phased registration period.

Phased registration shall be comprised of two parts of two months each.

During the first part of phased registration, only registered national and Community trademarks, geographical indications, and the names and acronyms referred to in Article 10(3), may be applied for as domain names by holders or licensees of prior rights and by the public bodies mentioned in Article 10(1).

During the second part of phased registration, the names that can be registered in the first part as well as names based on all other prior rights can be applied for as domain names by holders of prior rights on those names.

3. The request to register a domain name based on a prior right under Article 10(1) and (2) shall include a reference to the legal basis in national or Community law for the right to the name, as well as other relevant information, such as trademark registration number, information concerning publication in an official journal or government gazette, registration information at professional or business associations and chambers of commerce.

4. The Registry may make the requests for domain name registration subject to payment of additional fees, provided that these serve merely to cover the costs generated by the application of this Chapter. The

Registry may charge differential fees depending upon the complexity of the process required to validate prior rights.

5. At the end of the phased registration an independent audit shall be performed at the expense of the Registry and shall report its findings to the Commission. The auditor shall be appointed by the Registry after consulting the Commission. The purpose of the audit shall be to confirm the fair, appropriate and sound operational and technical administration of the phased registration period by the Registry.

6. To resolve a dispute over a domain name the rules provided in Chapter VI shall apply.

Article 13

Selection of validation agents

Validation agents shall be legal persons established within the territory of the Community. Validation agents shall be reputable bodies with appropriate expertise. The Registry shall select the validation agents in an objective, transparent and non-discriminatory manner, ensuring the widest possible geographical diversity. The Registry shall require the validation agent to execute the validation in an objective, transparent and non-discriminatory manner.

Member States shall provide for validation concerning the names mentioned in Article 10(3). To that end, the Member States shall send to the Commission within two months following entry into force of this Regulation, a clear indication of the addresses to which documentary evidence is to be sent for verification. The Commission shall notify the Registry of these addresses.

The Registry shall publish information about the validation agents at its website.

Article 14

Validation and registration of applications received during phased registration

All claims for prior rights under Article 10(1) and (2) must be verifiable by documentary evidence which demonstrates the right under the law by virtue of which it exists.

The Registry, upon receipt of the application, shall block the domain name in question until validation has taken place or until the deadline passes for receipt of documentation. If the Registry receives more than one claim for the same domain during the phased registration period, applications shall be dealt with in strict chronological order.

The Registry shall make available a database containing information about the domain names applied for under the procedure for phased registration, the applicants, the Registrar that submitted the application, the deadline for submission of validation documents, and subsequent claims on the names.

Every applicant shall submit documentary evidence that shows that he or she is the holder of the prior right claimed on the name in question. The documentary evidence shall be submitted to a validation agent indicated by the Registry. The applicant shall submit the evidence in such a way that it shall be received by the validation agent within forty days from the submission of the application for the domain name. If the documentary evidence has not been received by this deadline, the application for the domain name shall be rejected.

Validation agents shall time-stamp documentary evidence upon receipt.

Validation agents shall examine applications for any particular domain name in the order in which the application was received at the Registry.

The relevant validation agent shall examine whether the applicant that is first in line to be assessed for a domain name and that has submitted the documentary evidence before the deadline has prior rights on the name. If the documentary evidence has not been received in time or if the validation agent finds that the documentary evidence does not substantiate a prior right, he shall notify the Registry of this.

If the validation agent finds that prior rights exist regarding the application for a particular domain name that is first in line, he shall notify the Registry accordingly.

This examination of each claim in chronological order of receipt shall be followed until a claim is found for which prior rights on the name in question are confirmed by a validation agent.

The Registry shall register the domain name, on the first come first served basis, if it finds that the applicant has demonstrated a prior right in accordance with the procedure set out in the second, third and fourth paragraphs.

CHAPTER V RESERVATIONS, WHOIS DATA AND IMPROPER REGISTRATIONS

Article 15

Escrow agreement

1. The Registry shall, at its own expense, enter into an agreement with a reputable trustee or other escrow agent established within the territory of the Community designating the Commission as the beneficiary of the escrow agreement. The Commission shall give its consent to that agreement before it is concluded. The Registry shall submit to the escrow agent on a daily basis an electronic copy of the current content of the.eu database.

2. The agreement shall provide that the data shall be held by the escrow agent on the following terms and conditions:

(a) the data shall be received and held in escrow, undergoing no procedure other than verification that it is complete, consistent, and in proper format, until it is released to the Commission;

(b) the data shall be released from escrow upon expiration without renewal or upon termination of the contract between the Registry and the Commission for any of the reasons described therein and irrespectively of any disputes or litigation between the Commission and the Registry;

(c) in the event that the escrow is released, the Commission shall have the exclusive, irrevocable, royalty-free right to exercise or to have exercised all rights necessary to re-designate the Registry;

(d) if the contract with the Registry is terminated the Commission, with the cooperation of the Registry, shall take all necessary steps to transfer the administrative and operational responsibility for the.eu TLD and any reserve funds to such party as the Commission may designate: in that event, the Registry shall make all efforts to avoid disruption of the service and shall in particular continue to update the information that is subject to the escrow until the time of completion of the transfer.

Article 16

WHOIS database

The purpose of the WHOIS database shall be to provide reasonably accurate and up to date information about the technical and administrative points of contact administering the domain names under the.eu TLD.

The WHOIS database shall contain information about the holder of a domain name that is relevant and not excessive in relation to the purpose of the database. In as far as the information is not strictly necessary in

relation to the purpose of the database, and if the domain name holder is a natural person, the information that is to be made publicly available shall be subject to the unambiguous consent of the domain name holder. The deliberate submission of inaccurate information, shall constitute grounds for considering the domain name registration to have been in breach of the terms of registration.

Article 17

Names reserved by the Registry

The following names shall be reserved for the operational functions of the Registry:

eurid.eu, registry.eu, nic.eu, dns.eu, internic.eu, whois.eu, das.eu, coc.eu, eurethix.eu, eurethics.eu, euthics.eu

Article 18

Improper registrations

Where a domain name is considered by a Court of a Member State to be defamatory, racist or contrary to public policy, it shall be blocked by the Registry upon notification of a Court decision and shall be revoked upon notification of a final court decision. The Registry shall block from future registration those names which have been subject to such a court order for as long as such order remains valid.

Article 19

Death and winding up

1. If the domain name holder dies during the registration period of the domain name, the executors of his or her estate, or his or her legal heirs, may request transfer of the name to the heirs along with submission of the appropriate documentation. If, on expiry of the registration period, no transfer has been initiated, the domain name shall be suspended for a period of 40 calendar days and shall be published on the Registry's website. During this period the executors or the legal heirs may apply to register the name along with submission of the appropriate documentation. If the heirs have not registered the name during that 40-day period, the domain name shall thereafter become available for general registration.

2. If the domain name holder is an undertaking, a legal or natural person, or an organisation that becomes subject to insolvency proceedings, winding up, cessation of trading, winding up by court order or any similar proceeding provided for by national law, during the registration period of the domain name, then the legally appointed administrator of the domain name holder may request transfer to the purchaser of the domain name holders assets along with submission of the appropriate documentation. If, on expiry of the registration period, no transfer has been initiated, the domain name shall be suspended for a period of forty calendar days and shall be published on the registry's website. During this period the administrator may apply to register the name along with submission of appropriate documentation. If the administrator has not registered the name during that 40-day period, the domain name shall thereafter become available for general registration.

CHAPTER VI REVOCATION AND SETTLEMENT OF CONFLICTS

Article 20

Revocation of domain names

The Registry may revoke a domain name at its own initiative and without submitting the dispute to any extrajudicial settlement of conflicts, exclusively on the following grounds:

(a) outstanding unpaid debts owed to the Registry;

(b) holder's non-fulfilment of the general eligibility criteria pursuant to Article 4(2)(b) of Regulation (EC) 733/2002;

(c) holder's breach of the terms of registration under Article 3.

The Registry shall lay down a procedure in accordance with which it may revoke domain names on these grounds. This procedure shall include a notice to the domain name holder and shall afford him an opportunity to take appropriate measures.

Revocation of a domain name, and where necessary its subsequent transfer, may also be effected in accordance with a decision issued by an extrajudicial settlement body.

Article 21

Speculative and abusive registrations

1. A registered domain name shall be subject to revocation, using an appropriate extra-judicial or judicial procedure, where that name is identical or confusingly similar to a name in respect of which a right is recognised or established by national and/or Community law, such as the rights mentioned in Article 10(1), and where it:

(a) has been registered by its holder without rights or legitimate interest in the name; or

(b) has been registered or is being used in bad faith.

2. A legitimate interest within the meaning of point (a) of paragraph 1 may be demonstrated where:

(a) prior to any notice of an alternative dispute resolution (ADR) procedure, the holder of a domain name has used the domain name or a name corresponding to the domain name in connection with the offering of goods or services or has made demonstrable preparation to do so;

(b) the holder of a domain name, being an undertaking, organisation or natural person, has been commonly known by the domain name, even in the absence of a right recognised or established by national and/or Community law;

(c) the holder of a domain name is making a legitimate and non-commercial or fair use of the domain name, without intent to mislead consumers or harm the reputation of a name on which a right is recognised or established by national and/or Community law.

3. Bad faith, within the meaning of point (b) of paragraph 1 may be demonstrated, where:

(a) circumstances indicate that the domain name was registered or acquired primarily for the purpose of selling, renting, or otherwise transferring the domain name to the holder of a name in respect of which a right is recognised or established by national and/or Community law or to a public body; or

(b) the domain name has been registered in order to prevent the holder of such a name in respect of which a right is recognised or established by national and/or Community law, or a public body, from reflecting this name in a corresponding domain name, provided that:

(i) a pattern of such conduct by the registrant can be demonstrated; or

(ii) the domain name has not been used in a relevant way for at least two years from the date of registration; or

(iii) in circumstances where, at the time the ADR procedure was initiated, the holder of a domain name in respect of which a right is recognised or established by national and/or Community law or the holder of a

domain name of a public body has declared his/its intention to use the domain name in a relevant way but fails to do so within six months of the day on which the ADR procedure was initiated;

(c) the domain name was registered primarily for the purpose of disrupting the professional activities of a competitor; or

(d) the domain name was intentionally used to attract Internet users, for commercial gain, to the holder of a domain name website or other on-line location, by creating a likelihood of confusion with a name on which a right is recognised or established by national and/or Community law or a name of a public body, such likelihood arising as to the source, sponsorship, affiliation or endorsement of the website or location or of a product or service on the website or location of the holder of a domain name; or

(e) the domain name registered is a personal name for which no demonstrable link exists between the domain name holder and the domain name registered.

4. The provisions in paragraphs 1, 2 and 3 may not be invoked so as to obstruct claims under national law.

Article 22

Alternative dispute resolution (ADR) procedure

1. An ADR procedure may be initiated by any party where:

(a) the registration is speculative or abusive within the meaning of Article 21; or

(b) a decision taken by the Registry conflicts with this Regulation or with Regulation (EC) No 733/2002.

2. Participation in the ADR procedure shall be compulsory for the holder of a domain name and the Registry.

3. A fee for the ADR shall be paid by the complainant.

4. Unless otherwise agreed by the parties, or specified otherwise in the registration agreement between registrar and domain name holder, the language of the administrative proceeding shall be the language of that agreement. This rule shall be subject to the authority of the panel to determine otherwise, having regard to the circumstances of the case.

5. The complaints and the responses to those complaints must be submitted to an ADR provider chosen by the complainant from the list referred to in the first paragraph of Article 23. That submission shall be made in accordance with this Regulation and the published supplementary procedures of the ADR provider.

6. As soon as a request for ADR is properly filed with the ADR provider and the appropriate fee is paid, the ADR provider shall inform the Registry of the identity of the complainant and the domain name involved. The Registry shall suspend the domain name involved from cancellation or transfer until the dispute resolution proceedings or subsequent legal proceedings are complete and the decision has been notified to the Registry.

7. The ADR provider shall examine the complaint for compliance with its rules of procedure, with the provisions of this Regulation and with Regulation (EC) No 733/2002, and, unless non-compliance is established, shall forward the complaint to the respondent within five working days following receipt of the fees to be paid by the complainant.

8. Within 30 working days of the date of receipt of the complaint the respondent shall submit a response to the provider.

9. Any written communication to a complainant or respondent shall be made by the preferred means stated by the complainant or respondent, respectively, or in the absence of such specification electronically via the Internet, provided that a record of transmission is available.

All communications concerning the ADR procedure to the holder of a domain name that is subject to an ADR procedure shall be sent to the address information that is available to the Registrar that maintains the registration of the domain name in accordance with the terms and conditions of registration.

10. Failure of any of the parties involved in an ADR procedure to respond within the given deadlines or appear to a panel hearing may be considered as grounds to accept the claims of the counterparty.

11. In the case of a procedure against a domain name holder, the ADR panel shall decide that the domain name shall be revoked, if it finds that the registration is speculative or abusive as defined in Article 21. The domain name shall be transferred to the complainant if the complainant applies for this domain name and satisfies the general eligibility criteria set out in Article 4(2)(b) of Regulation (EC) No 733/2002.

In the case of a procedure against the Registry, the ADR panel shall decide whether a decision taken by the Registry conflicts with this Regulation or with Regulation (EC) No 733/2002. The ADR panel shall decide that the decision shall be annulled and may decide in appropriate cases that the domain name in question shall be transferred, revoked or attributed, provided that, where necessary, the general eligibility criteria set out in Article 4(2)(b) of Regulation (EC) No 733/2002 are fulfilled.

The decision of the ADR panel shall state the date for implementation of the decision.

Decisions of the panel are taken by simple majority. The alternative dispute panel shall issue its decision within one month from the date of receipt of the response by the ADR provider. The decision shall be duly motivated. The decisions of the panel shall be published.

12. Within three working days after receiving the decision from the panel, the provider shall notify the full text of the decision to each party, the concerned registrar(s) and the Registry. The decision shall be notified to the Registry and the complainant by registered post or other equivalent electronic means.

13. The results of ADR shall be binding on the parties and the Registry unless court proceedings are initiated within 30 calendar days of the notification of the result of the ADR procedure to the parties.

Article 23

Selection of providers and panellists for alternative dispute resolution

1. The Registry may select ADR providers, who shall be reputable bodies with appropriate expertise in an objective, transparent and non-discriminatory manner. A list of the ADR providers shall be published on the Registry's website.

2. A dispute which is submitted to the ADR procedure shall be examined by arbitrators appointed to a panel of one or three members.

The panellists shall be selected in accordance to the internal procedures of the selected ADR providers. They shall have appropriate expertise and shall be selected in an objective, transparent and non-discriminatory manner. Each provider shall maintain a publicly available list of panellists and their qualifications.

A panellist shall be impartial and independent and shall have, before accepting appointment, disclosed to the provider any circumstances giving rise to justifiable doubt as to their impartiality or independence. If, at any stage during the administrative proceedings, new circumstances arise that could give rise to

justifiable doubt as to the impartiality or independence of the panellist, that panellist shall promptly disclose such circumstances to the provider.

In such event, the provider shall appoint a substitute panellist.

CHAPTER VII FINAL PROVISIONS

Article 24

Entry into force

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 28 April 2004.

For the Commission

Erkki Liikanen

Member of the Commission

(1) OJ L 113, 30.4.2002, p. 1.

(2) OJ L 128, 24.5.2003, p. 29.

(3) OJ L 108, 24.4.2002, p. 33.

DR. ING. H.C. F. PORSCHE AG V. THE EIGHT BLACK GROUP, SIMON CHEN AND DENISE
MARBLE (WIPO CASE NO. D2009-0989)

WIPO Arbitration and Mediation Center

ADMINISTRATIVE PANEL DECISION

Dr. Ing. h.c. F. Porsche AG v. The Eight Black Group, Simon Chen and Denise Marble

Case No. D2009-0989

1. The Parties

The Complainant is Dr. Ing. h.c. F. Porsche AG of Stuttgart, Germany, represented by Lichtenstein, Körner & Partners, Germany.

The Respondents are The Eight Black Group and Simon Chen of Victoria, Australia and Denise Marble of Michigan, United States of America ("USA").

2. The Domain Names and Registrar

The disputed domain names <porscheexperience.com> and <porscheguides.com> (the "Domain Names") are registered with GoDaddy.com, Inc. (the "Registrar").

3. Procedural History

The Complaint was filed with the WIPO Arbitration and Mediation Center (the "Center") on July 22, 2009. The Center transmitted its request for registrar verification to the Registrar on July 22, 2009. The Registrar responded the same day, stating that the Domain Names were registered with it, that the registrant of <porscheexperience.com> was Simon Chen of The Eight Black Group and the registrant of <porscheguides.com> was Denise Marble, that the Uniform Domain Name Dispute Resolution Policy (the "Policy" or "UDRP") applied to the registration, that the Domain Names would remain locked during this proceeding, that the registration agreement was in English, and that the Domain Names were created on February 12, 2004. The Registrar stated that it had not received a copy of the Complaint and provided the full contact details in respect of the Domain Names on its Whois database.

The Center verified that the Complaint satisfied the formal requirements of the UDRP, the Rules for Uniform Domain Name Dispute Resolution Policy (the "Rules"), and the WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy (the "Supplemental Rules").

In accordance with paragraphs 2(a) and 4(a) of the Rules, the Center formally notified the Respondents of the Complaint, and the proceedings commenced on July 30, 2009. The Complaint was notified by courier and email to the addresses specified in the contact details for the Domain Names on the Registrar's Whois database, and also to postmaster@ the respective Domain Names. In accordance with paragraph 5(a) of the Rules, the due date for Response was August 19, 2009. The Respondents did not submit any response. Accordingly, the Center notified the Respondents' default on August 27, 2008.

The Center appointed Jonathan Turner as the sole panelist in this matter on September 8, 2009. The Panel has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with paragraph 7 of the Rules. Having reviewed the file, the Panel is satisfied that the Complaint complied with applicable formal requirements, was duly notified to the Respondents and has been submitted to a properly constituted Panel in accordance with the Policy, the Rules and the Supplemental Rules.

4. Procedural Ruling

Under paragraph 3(c) of the Rules, a complaint may relate to more than one domain name, provided that the domain names are registered by the same domain-name holder. This rule has been interpreted as permitting a single complaint in relation to a number of domain names whose registrant is in effect the same entity, even though different names are used in the contact details held by the registrar or registrars: see, for example *General Electric Company v. Marketing Total S.A*, WIPO Case No. D2007-1834.

In this case, the registrant of <porscheexperience.com> is identified in the Registrar's Whois database as The Eight Black Group, with Simon Chen as the administrative and technical contacts; while the registrant, administrative contact and technical contact of <porscheguides.com> are identified as Denise Marble. The email address of Simon Chen is given as simon.chen@eightblack.com.au and that of Denise Marble as info@eightblack.com. In correspondence with the Complainant, Simon Chen stated that he owned both Domain Names and the footer of his emails contained a logo comprising the name "EIGHTBLACK". The Domain Names were both registered on the same date.

In all the circumstances, the Panel is satisfied that the Domain Names are registered for the same entity, namely Simon Chen trading as "EIGHTBLACK". The Panel therefore considers that the Complaint has been properly brought in respect of both Domain Names.

5. Factual Background

The Complainant is a well-known manufacturer of sports cars and has registered PORSCHE as a mark in numerous countries.

The Domain Names were created on February 12, 2004. The Domain Name <porscheexperience.com> was directed to a website which advertised an electronic book called "The Ultimate Guide To The Porsche Brand" containing information said to be useful for buyers and owners of Porsche cars. Currently neither of the Domain Names resolves to a website.

The Complainant's representative contacted the Respondent, Simon Chen, by email on March 27, 2009, alleging that the registration and use of the Domain Name <porscheexperience.com> infringed the Complainant's trademarks. The letter went on to say: "We trust that you will appreciate the reasons for asking you to transfer the domain name to our client, even more so as your project, the E-book, does not seem to have much relevance to you any more".

Mr Chen replied by email on March 29, 2009, stating that he was curious as to why it had taken the Complainant nearly five years since the registration to approach him and that he thought it was "reasonable to expect some kind of small compensation for releasing the domain to your client".

The Complainant's representative responded on March 30, 2009, stating that Mr Chen's use of the Domain Name had not come to the Complainant's attention earlier, offering to reimburse Mr Chen's registration costs, but adding that the Complainant's policy was not to encourage cybersquatting by making payments for domain names incorporating its mark and that it would invoke the UDRP if necessary.

Mr Chen replied by a further email the same day, submitting that he was not in the same category as a cybersquatter, in that he "never simply registered the name to cause a nuisance" but because he wrote an e-book which he marketed online for some time. He added that the book was in the process of being updated. He observed that pursuing the matter via the typical legal channels would involve considerable expense. He mentioned that he owned both of the Domain Names and would release both of them to the Complainant for €5000.

6. Parties' Contentions

A. Complainant

The Complainant contends that the Domain Names are confusingly similar to marks in which it has rights. It points out that the distinctive part of the Domain Names is its mark PORSCHE and that the addition of descriptive terms such as "experience" and "guides" adds to confusion by indicating to Internet users that the Domain Names are used by the Complainant or an associated entity to provide official information.

The Complainant submits that the Respondents have no rights or legitimate interests in respect of the Domain Names. The Complainant asserts that there has been no use or preparation to use the Domain Names in connection with a bona fide offering of goods or services. According to the Complainant, the Respondents' use of the Domain Name <porscheexperience.com> to promote an electronic book and thus generate revenues shows that they registered it for that purpose. The Complainant notes that the Domain Name <porscheguides.com> may have been registered for the same purpose but so far as it is aware, this Domain Name has not been used.

The Complainant adds that the Respondents have never been an authorised dealer or licensee of the Complainant or had any other relationship with the Complainant; that the Respondents are not commonly known by the Domain Names; and that they are not making non-commercial use of the Domain Names.

The Complainant alleges that the Domain Names were registered and are being used in bad faith. The Complainant notes that the Respondents were aware of its mark when they registered the Domain Names. The Complainant submits that the Respondents registered the Domain Names and a further domain name, <1-2-3-buy-a-porsche.com>, in order to prevent the Complainant from reflecting its mark in a corresponding domain name.

The Complainant maintains that the Respondents wanted to mislead Internet users seeking genuine information about the Complainant and its products. The Complainant submits that there has been no attempt by the Respondents to avoid confusion; in particular there was no disclaimer or clarification of their lack of relationship with the Complainant when their website was active. The Complainant further relies on the Respondents' passive holding of <porscheguides.com> for over five years and the use of false contact details in relation to this Domain Name as evidence of bad faith.

Finally, the Complainant points to Mr Chen's attempt to sell the Domain Names for €5000 as confirming bad faith.

The Complainant requests a decision that the Domain Names be transferred to it.

B. Respondents

As mentioned above, the Respondents did not reply to the Complaint, although the Respondent, Mr Chen, asserted in correspondence with the Complainant's representative that he registered the Domain Name <porscheexperience.com> because he wrote an electronic book which he marketed online.

6. Discussion and Findings

In accordance with paragraph 4(a) of the Policy, in order to succeed in this proceeding, the Complainant must prove (i) that the Domain Names are identical or confusingly similar to a mark or marks in which it has rights; (ii) that the Respondents have no rights or legitimate interests in respect of the Domain Names; and (iii) that the Domain Names have been registered and are being used in bad faith.

In accordance with paragraph 14(b) of the Rules, the Panel shall draw such inferences from the Respondents' default as it considers appropriate. This includes the acceptance of plausible evidence of the Complainant which has not been disputed.

A. Identical or Confusingly Similar

The Panel finds that the Complainant has rights in the mark PORSCHE.

The Panel further finds that both Domain Names are confusingly similar to this mark, from which they differ only in the addition of the non-distinctive elements “experience” or “guides” and the generic top level domain suffix. These elements do not distinguish the Domain Names from the Complainant's mark. On the contrary, Internet users are liable to suppose that they have been registered by the Complainant to provide information about its products.

The first requirement of the UDRP is satisfied.

B. Rights or Legitimate Interests

On the evidence, it appears that the Respondent, Mr Chen, has used the Domain Name <porscheexperience.com> to promote an electronic book providing information about Porsche cars, entitled “The Ultimate Guide To The Porsche Brand”. The Panel is not satisfied on the evidence that this was not a bona fide offering of goods or services.

The Complainant does not appear to claim that the book did not exist, and there is no evidence that it was bogus. The Panel therefore proceeds on the basis that the book existed and that Mr. Chen used the Domain Name <porscheexperience.com> to promote it.

On the evidence, it appears that the Respondents were not using the Domain Names to sell any other goods or services; or at any rate there is no evidence that they were doing so. The Panel therefore proceeds on the basis that this was not a “bait and switch” operation.

Mr Chen's website did not contain a specific disclaimer of any relationship with the Complainant, but it did say that it was created by an enthusiast who had owned three Porsches and would never buy anything else. In the Panel's view an Internet user viewing the website could not be in any doubt that this was an unofficial website created by an enthusiast.

It is also clear that Mr Chen engaged in this use of the Domain Name <porscheexperience.com> before notice of any dispute.

The Panel therefore finds that the second requirement of the Policy has not been satisfied in relation to the Domain Name <porscheexperience.com>.

The Respondents do not appear to have actively used the Domain Name <porscheguides.com>. In the Panel's view, the use of the Domain Name <porscheexperience.com> to promote a guide to Porsche cars could possibly amount to a use of a name corresponding to the Domain Name <porscheguides.com> in relation to a bona fide offering of goods or services for the purpose of paragraph 4(c)(i) of the UDRP. However, it is not necessary to decide this point, since the Panel has concluded that the Complaint fails in relation to this Domain Name for lack of evidence of registration in bad faith, as discussed below.

C. Registered and Used in Bad Faith

The two parts of the third requirement of the UDRP are separate conditions: to succeed in a complaint, the Complainant must show that the domain name both was registered and is being used in bad faith. It is convenient to consider registration first.

The Complainant contends that the Domain Name <porscheexperience.com> must have been registered for the purpose of promoting Mr Chen's electronic book and it appears to accept that the Domain Name <porscheguides.com> may have been registered for the same purpose.

The Panel does not regard such use as inherently in bad faith and does not find any evidence in the Complaint that the manner of the use apparently intended by the Respondents involved bad faith. As stated above, an Internet user viewing the website subsequently created by Mr Chen could not be in any doubt that this was an unofficial website created by an enthusiast. In these circumstances, it cannot be inferred that the Respondents set out to mislead Internet users.

If, as the Complainant accepts, the Respondents registered the Domain Names for the purpose of promoting Mr Chen's electronic book, it follows that the Respondents did not register them primarily for the purpose of sale, even though the Respondents subsequently offered to sell them for a substantial price to the Complainant.

Furthermore, the Panel does not accept the Complainant's suggestion that the Respondents registered the Domain Names and <1-2-3-buy-a-porsche.com> in order to prevent the Complainant from reflecting its mark in a corresponding domain name. The Respondents' registration of these three domain names could not significantly impede the Complainant in reflecting its mark in suitable domain names.

Although the Complainant's mark has a very high reputation, it does not follow that any use of it in a domain name would be in bad faith for the purpose of the Policy. Given the use made by the Respondents of the Domain Name <porscheexperience.com>, the Panel is unable to infer from the record that either of the Domain Names was registered in bad faith.

In these circumstances, the Panel concludes that the Complainant has not shown that the Domain Names were registered in bad faith. It follows that the third requirement of the UDRP is not satisfied in relation to either of the Domain Names.

7. Decision

For all the foregoing reasons, the Complaint is denied.

PROMUSICAE V. TELEFONICA DE ESPANA SAU, C-275/06 (ECJ)

JUDGMENT OF THE COURT (Grand Chamber)

29 January 2008 (*)

(Information society – Obligations of providers of services – Retention and disclosure of certain traffic data – Obligation of disclosure – Limits – Protection of the confidentiality of electronic communications – Compatibility with the protection of copyright and related rights – Right to effective protection of intellectual property)

In Case C-275/06,

REFERENCE for a preliminary ruling under Article 234 EC by the Juzgado de lo Mercantil No 5 de Madrid (Spain), made by decision of 13 June 2006, received at the Court on 26 June 2006, in the proceedings

Productores de Música de España (Promusicae)

v

Telefónica de España SAU,

Judgment

1 This reference for a preliminary ruling concerns the interpretation of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce') (OJ 2000 L 178, p. 1), Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10), Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45, and corrigendum, OJ 2004 L 195, p. 16), and Articles 17(2) and 47 of the Charter of Fundamental Rights of the European Union proclaimed in Nice on 7 December 2000 (OJ 2000 C 364, p. 1, 'the Charter').

2 The reference was made in the course of proceedings between Productores de Música de España (Promusicae) ('Promusicae'), a non-profit-making organisation, and Telefónica de España SAU ('Telefónica') concerning Telefónica's refusal to disclose to Promusicae, acting on behalf of its members who are holders of intellectual property rights, personal data relating to use of the internet by means of connections provided by Telefónica.

Legal context

International law

3 Part III of the Agreement on Trade-Related Aspects of Intellectual Property Rights ('the TRIPs Agreement'), which constitutes Annex 1C to the Agreement establishing the World Trade Organisation ('the WTO'), signed at Marrakesh on 15 April 1994 and approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1), is headed 'Enforcement of intellectual property rights'. That part includes Article 41(1) and (2), according to which:

‘1. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.’

4 In Section 2 of Part III, ‘Civil and administrative procedures and remedies’, Article 42, headed ‘Fair and Equitable Procedures’, provides:

‘Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement ...’

5 Article 47 of the TRIPs Agreement, headed ‘Right of Information’, provides:

‘Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution.’

Community law

Provisions relating to the information society and the protection of intellectual property, especially copyright

– Directive 2000/31

6 Article 1 of Directive 2000/31 states:

‘1. This Directive seeks to contribute to the proper functioning of the internal market by ensuring the free movement of information society services between the Member States.

2. This Directive approximates, to the extent necessary for the achievement of the objective set out in paragraph 1, certain national provisions on information society services relating to the internal market, the establishment of service providers, commercial communications, electronic contracts, the liability of intermediaries, codes of conduct, out-of-court dispute settlements, court actions and cooperation between Member States.

3. This Directive complements Community law applicable to information society services without prejudice to the level of protection for, in particular, public health and consumer interests, as established by Community acts and national legislation implementing them in so far as this does not restrict the freedom to provide information society services.

...

5. This Directive shall not apply to:

...

(b) questions relating to information society services covered by Directives 95/46/EC and 97/66/EC;

...’

7 According to Article 15 of Directive 2000/31:

'1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.'

8 Article 18 of Directive 2000/31 provides:

'1. Member States shall ensure that court actions available under national law concerning information society services' activities allow for the rapid adoption of measures, including interim measures, designed to terminate any alleged infringement and to prevent any further impairment of the interests involved.

...'

- Directive 2001/29

9 According to Article 1(1) of Directive 2001/29, the directive concerns the legal protection of copyright and related rights in the framework of the internal market, with particular emphasis on the information society.

10 Under Article 8 of Directive 2001/29:

'1. Member States shall provide appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in this Directive and shall take all the measures necessary to ensure that those sanctions and remedies are applied. The sanctions thus provided for shall be effective, proportionate and dissuasive.

2. Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages and/or apply for an injunction and, where appropriate, for the seizure of infringing material as well as of devices, products or components referred to in Article 6(2).

3. Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.'

11 Article 9 of Directive 2001/29 reads:

'This Directive shall be without prejudice to provisions concerning in particular patent rights, trade marks, design rights, utility models, topographies of semi-conductor products, type faces, conditional access, access to cable of broadcasting services, protection of national treasures, legal deposit requirements, laws on restrictive practices and unfair competition, trade secrets, security, confidentiality, data protection and privacy, access to public documents, the law of contract.'

- Directive 2004/48

12 Article 1 of Directive 2004/48 states:

'This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights ...'

13 According to Article 2(3) of Directive 2004/48:

'3. This Directive shall not affect:

(a) the Community provisions governing the substantive law on intellectual property, Directive 95/46/EC, Directive 1999/93/EC or Directive 2000/31/EC, in general, and Articles 12 to 15 of Directive 2000/31/EC in particular;

(b) Member States' international obligations and notably the TRIPS Agreement, including those relating to criminal procedures and penalties;

(c) any national provisions in Member States relating to criminal procedures or penalties in respect of infringement of intellectual property rights.'

14 Article 3 of Directive 2004/48 provides:

'1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.'

15 Article 8 of Directive 2004/48 provides:

'1. Member States shall ensure that, in the context of proceedings concerning an infringement of an intellectual property right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an intellectual property right be provided by the infringer and/or any other person who:

(a) was found in possession of the infringing goods on a commercial scale;

(b) was found to be using the infringing services on a commercial scale;

(c) was found to be providing on a commercial scale services used in infringing activities;

or

(d) was indicated by the person referred to in point (a), (b) or (c) as being involved in the production, manufacture or distribution of the goods or the provision of the services.

2. The information referred to in paragraph 1 shall, as appropriate, comprise:

(a) the names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services, as well as the intended wholesalers and retailers;

(b) information on the quantities produced, manufactured, delivered, received or ordered, as well as the price obtained for the goods or services in question.

3. Paragraphs 1 and 2 shall apply without prejudice to other statutory provisions which:

(a) grant the rightholder rights to receive fuller information;

(b) govern the use in civil or criminal proceedings of the information communicated pursuant to this Article;

(c) govern responsibility for misuse of the right of information;

or

(d) afford an opportunity for refusing to provide information which would force the person referred to in paragraph 1 to admit to his/her own participation or that of his/her close relatives in an infringement of an intellectual property right;

or

(e) govern the protection of confidentiality of information sources or the processing of personal data.'

Provisions on the protection of personal data

– Directive 95/46/EC

16 Article 2 of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ 1995 L 281, p. 31) states:

'For the purposes of this Directive:

(a) "personal data" shall mean any information relating to an identified or identifiable natural person ("data subject"); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity;

(b) "processing of personal data" ("processing") shall mean any operation or set of operations which is performed upon personal data, whether or not by automatic means, such as collection, recording, organisation, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction;

...'

17 According to Article 3 of Directive 95/46:

'1. This Directive shall apply to the processing of personal data wholly or partly by automatic means, and to the processing otherwise than by automatic means of personal data which form part of a filing system or are intended to form part of a filing system.

...'

18 Article 7 of Directive 95/46 reads as follows:

'Member States shall provide that personal data may be processed only if:

...

(f) processing is necessary for the purposes of the legitimate interests pursued by the controller or by the third party or parties to whom the data are disclosed, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection under Article 1(1).'

19 Article 8 of Directive 95/46 provides:

'1. Member States shall prohibit the processing of personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, trade-union membership, and the processing of data concerning health or sex life.

2. Paragraph 1 shall not apply where:

...

(c) processing is necessary to protect the vital interests of the data subject or of another person where the data subject is physically or legally incapable of giving his consent ...

...'

20 According to Article 13 of Directive 95/46:

'1. Member States may adopt legislative measures to restrict the scope of the obligations and rights provided for in Articles 6(1), 10, 11(1), 12 and 21 when such a restriction constitutes a necessary measure to safeguard:

(a) national security;

(b) defence;

(c) public security;

(d) the prevention, investigation, detection and prosecution of criminal offences, or of breaches of ethics for regulated professions;

(e) an important economic or financial interest of a Member State or of the European Union, including monetary, budgetary and taxation matters;

(f) a monitoring, inspection or regulatory function connected, even occasionally, with the exercise of official authority in cases referred to in (c), (d) and (e);

(g) the protection of the data subject or of the rights and freedoms of others.

...'

– Directive 2002/58/EC

21 Article 1 of Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications) (OJ 2002 L 201, p. 37) states:

'1. This Directive harmonises the provisions of the Member States required to ensure an equivalent level of protection of fundamental rights and freedoms, and in particular the right to privacy, with respect to the processing of personal data in the electronic communication sector and to ensure the free movement of such data and of electronic communication equipment and services in the Community.

2. The provisions of this Directive particularise and complement Directive 95/46/EC for the purposes mentioned in paragraph 1 ...

3. This Directive shall not apply to activities which fall outside the scope of the Treaty establishing the European Community, such as those covered by Titles V and VI of the Treaty on European Union, and in any case to activities concerning public security, defence, State security (including the economic well-

being of the State when the activities relate to State security matters) and the activities of the State in areas of criminal law.’

22 Under Article 2 of Directive 2002/58:

‘Save as otherwise provided, the definitions in Directive 95/46/EC and in Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive) ... shall apply.

The following definitions shall also apply:

...

(b) “traffic data” means any data processed for the purpose of the conveyance of a communication on an electronic communications network or for the billing thereof;

...

(d) “communication” means any information exchanged or conveyed between a finite number of parties by means of a publicly available electronic communications service. This does not include any information conveyed as part of a broadcasting service to the public over an electronic communications network except to the extent that the information can be related to the identifiable subscriber or user receiving the information;

...’

23 Article 3 of Directive 2002/58 provides:

‘1. This Directive shall apply to the processing of personal data in connection with the provision of publicly available electronic communications services in public communications networks in the Community.

...’

24 Article 5 of Directive 2002/58 provides:

‘1. Member States shall ensure the confidentiality of communications and the related traffic data by means of a public communications network and publicly available electronic communications services, through national legislation. In particular, they shall prohibit listening, tapping, storage or other kinds of interception or surveillance of communications and the related traffic data by persons other than users, without the consent of the users concerned, except when legally authorised to do so in accordance with Article 15(1). This paragraph shall not prevent technical storage which is necessary for the conveyance of a communication without prejudice to the principle of confidentiality.

...’

25 Article 6 of Directive 2002/58 provides:

‘1. Traffic data relating to subscribers and users processed and stored by the provider of a public communications network or publicly available electronic communications service must be erased or made anonymous when it is no longer needed for the purpose of the transmission of a communication without prejudice to paragraphs 2, 3 and 5 of this Article and Article 15(1).

2. Traffic data necessary for the purposes of subscriber billing and interconnection payments may be processed. Such processing is permissible only up to the end of the period during which the bill may lawfully be challenged or payment pursued.

3. For the purpose of marketing electronic communications services or for the provision of value added services, the provider of a publicly available electronic communications service may process the data referred to in paragraph 1 to the extent and for the duration necessary for such services or marketing, if the subscriber or user to whom the data relate has given his/her consent. Users or subscribers shall be given the possibility to withdraw their consent for the processing of traffic data at any time.

...

5. Processing of traffic data, in accordance with paragraphs 1, 2, 3 and 4, must be restricted to persons acting under the authority of providers of the public communications networks and publicly available electronic communications services handling billing or traffic management, customer enquiries, fraud detection, marketing electronic communications services or providing a value added service, and must be restricted to what is necessary for the purposes of such activities.

6. Paragraphs 1, 2, 3 and 5 shall apply without prejudice to the possibility for competent bodies to be informed of traffic data in conformity with applicable legislation with a view to settling disputes, in particular interconnection or billing disputes.'

26 Under Article 15 of Directive 2002/58:

'1. Member States may adopt legislative measures to restrict the scope of the rights and obligations provided for in Article 5, Article 6, Article 8(1), (2), (3) and (4), and Article 9 of this Directive when such restriction constitutes a necessary, appropriate and proportionate measure within a democratic society to safeguard national security (i.e. State security), defence, public security, and the prevention, investigation, detection and prosecution of criminal offences or of unauthorised use of the electronic communication system, as referred to in Article 13(1) of Directive 95/46/EC. To this end, Member States may, inter alia, adopt legislative measures providing for the retention of data for a limited period justified on the grounds laid down in this paragraph. All the measures referred to in this paragraph shall be in accordance with the general principles of Community law, including those referred to in Article 6(1) and (2) of the Treaty on European Union.

...'

27 Article 19 of Directive 2002/58 provides:

'Directive 97/66/EC is hereby repealed with effect from the date referred to in Article 17(1).

References made to the repealed Directive shall be construed as being made to this Directive.'

National law

28 Under Article 12 of Law 34/2002 on information society services and electronic commerce (Ley 34/2002 de servicios de la sociedad de la información y de comercio electrónico) of 11 July 2002 (BOE No 166 of 12 July 2002, p. 25388, 'the LSSI'), headed 'Duty to retain traffic data relating to electronic communications':

'1. Operators of electronic communications networks and services, providers of access to telecommunications networks and providers of data storage services must retain for a maximum of 12 months the connection and traffic data generated by the communications established during the supply of an information society service, under the conditions established in this article and the regulations implementing it.

2. ... The operators of electronic communications networks and services and the service providers to which this article refers may not use the data retained for purposes other than those indicated in the

paragraph below or other purposes permitted by the Law and must adopt appropriate security measures to avoid the loss or alteration of the data and unauthorised access to the data.

3. The data shall be retained for use in the context of a criminal investigation or to safeguard public security and national defence, and shall be made available to the courts or the public prosecutor at their request. Communication of the data to the forces of order shall be effected in accordance with the provisions of the rules on personal data protection.

...'

The main proceedings and the order for reference

29 Promusicae is a non-profit-making organisation of producers and publishers of musical and audiovisual recordings. By letter of 28 November 2005 it made an application to the Juzgado de lo Mercantil No 5 de Madrid (Commercial Court No 5, Madrid) for preliminary measures against Telefónica, a commercial company whose activities include the provision of internet access services.

30 Promusicae asked for Telefónica to be ordered to disclose the identities and physical addresses of certain persons whom it provided with internet access services, whose IP address and date and time of connection were known. According to Promusicae, those persons used the KaZaA file exchange program (peer-to-peer or P2P) and provided access in shared files of personal computers to phonograms in which the members of Promusicae held the exploitation rights.

31 Promusicae claimed before the national court that the users of KaZaA were engaging in unfair competition and infringing intellectual property rights. It therefore sought disclosure of the above information in order to be able to bring civil proceedings against the persons concerned.

32 By order of 21 December 2005 the Juzgado de lo Mercantil No 5 de Madrid ordered the preliminary measures requested by Promusicae.

33 Telefónica appealed against that order, contending that under the LSSI the communication of the data sought by Promusicae is authorised only in a criminal investigation or for the purpose of safeguarding public security and national defence, not in civil proceedings or as a preliminary measure relating to civil proceedings. Promusicae submitted for its part that Article 12 of the LSSI must be interpreted in accordance with various provisions of Directives 2000/31, 2001/29 and 2004/48 and with Articles 17(2) and 47 of the Charter, provisions which do not allow Member States to limit solely to the purposes expressly mentioned in that law the obligation to communicate the data in question.

34 In those circumstances the Juzgado de lo Mercantil No 5 de Madrid decided to stay the proceedings and refer the following question to the Court for a preliminary ruling:

'Does Community law, specifically Articles 15(2) and 18 of Directive [2000/31], Article 8(1) and (2) of Directive [2001/29], Article 8 of Directive [2004/48] and Articles 17(2) and 47 of the Charter ... permit Member States to limit to the context of a criminal investigation or to safeguard public security and national defence, thus excluding civil proceedings, the duty of operators of electronic communications networks and services, providers of access to telecommunications networks and providers of data storage services to retain and make available connection and traffic data generated by the communications established during the supply of an information society service?'

Admissibility of the question referred

35 In its written observations the Italian Government submits that the statements in point 11 of the order for reference indicate that the question referred would be justified only in the event that the national legislation at issue in the main proceedings were interpreted as limiting the duty to disclose personal data to the field of criminal investigations or the protection of public safety and national defence.

Since the national court does not exclude the possibility of that legislation being interpreted as not containing such a limitation, the question thus appears, according to the Italian Government, to be hypothetical, so that it is inadmissible.

36 In this respect, it should be recalled that, in the context of the cooperation between the Court of Justice and the national courts provided for by Article 234 EC, it is solely for the national court before which the dispute has been brought, and which must assume responsibility for the subsequent judicial decision, to determine in the light of the particular circumstances of the case both the need for a preliminary ruling in order to enable it to deliver judgment and the relevance of the questions which it submits to the Court (Case C-217/05 *Confederación Española de Empresarios de Estaciones de Servicio* [2006] ECR I-11987, paragraph 16 and the case-law cited).

37 Where questions submitted by national courts concern the interpretation of a provision of Community law, the Court of Justice is thus bound, in principle, to give a ruling unless it is obvious that the request for a preliminary ruling is in reality designed to induce the Court to give a ruling by means of a fictitious dispute, or to deliver advisory opinions on general or hypothetical questions, or that the interpretation of Community law requested bears no relation to the actual facts of the main action or its purpose, or that the Court does not have before it the factual or legal material necessary to give a useful answer to the questions submitted to it (see *Confederación Española de Empresarios de Estaciones de Servicio*, paragraph 17).

38 Moreover, as regards the division of responsibilities under the cooperative arrangements established by Article 234 EC, the interpretation of provisions of national law is admittedly a matter for the national courts, not for the Court of Justice, and the Court has no jurisdiction, in proceedings brought on the basis of that article, to rule on the compatibility of national rules of law with Community law. On the other hand, the Court does have jurisdiction to provide the national court with all the guidance as to the interpretation of Community law necessary to enable that court to rule on the compatibility of national rules with Community law (see, to that effect, Case C-506/04 *Wilson* [2006] ECR I-8613, paragraphs 34 and 35, and Joined Cases C-338/04, C-359/04 and C-360/04 *Placanica and Others* [2007] ECR I-1891, paragraph 36).

39 However, in the case of the present reference for a preliminary ruling, it is perfectly clear from the grounds of the order for reference as a whole that the national court considers that the interpretation of Article 12 of the LSSI depends on the compatibility of that provision with the relevant provisions of Community law, and hence on the interpretation of those provisions which it asks the Court to provide. Since the outcome of the main proceedings is thus linked to that interpretation, the question referred clearly does not appear hypothetical, so that the ground of inadmissibility put forward by the Italian Government cannot be accepted.

40 The reference for a preliminary ruling is therefore admissible.

The question referred for a preliminary ruling

41 By its question the national court asks essentially whether Community law, in particular Directives 2000/31, 2001/29 and 2004/48, read also in the light of Articles 17 and 47 of the Charter, must be interpreted as requiring Member States to lay down, in order to ensure effective protection of copyright, an obligation to communicate personal data in the context of civil proceedings.

Preliminary observations

42 Even if, formally, the national court has limited its question to the interpretation of Directives 2000/31, 2001/29 and 2004/48 and the Charter, that circumstance does not prevent the Court from providing the national court with all the elements of interpretation of Community law which may be of use

for deciding the case before it, whether or not that court has referred to them in the wording of its question (see Case C-392/05 *Alevizos* [2007] ECR I-3505, paragraph 64 and the case-law cited).

43 It should be observed to begin with that the intention of the provisions of Community law thus referred to in the question is that the Member States should ensure, especially in the information society, effective protection of industrial property, in particular copyright, which *Promusicae* claims in the main proceedings. The national court proceeds, however, from the premiss that the Community law obligations required by that protection may be blocked, in national law, by the provisions of Article 12 of the LSSI.

44 While that law, in 2002, transposed the provisions of Directive 2000/31 into domestic law, it is common ground that Article 12 of the law is intended to implement the rules for the protection of private life, which is also required by Community law under Directives 95/46 and 2002/58, the latter of which concerns the processing of personal data and the protection of privacy in the electronic communications sector, which is the sector at issue in the main proceedings.

45 It is not disputed that the communication sought by *Promusicae* of the names and addresses of certain users of *KaZaA* involves the making available of personal data, that is, information relating to identified or identifiable natural persons, in accordance with the definition in Article 2(a) of Directive 95/46 (see, to that effect, Case C-101/01 *Lindqvist* [2003] ECR I-12971, paragraph 24). That communication of information which, as *Promusicae* submits and *Telefónica* does not contest, is stored by *Telefónica* constitutes the processing of personal data within the meaning of the first paragraph of Article 2 of Directive 2002/58, read in conjunction with Article 2(b) of Directive 95/46. It must therefore be accepted that that communication falls within the scope of Directive 2002/58, although the compliance of the data storage itself with the requirements of that directive is not at issue in the main proceedings.

46 In those circumstances, it should first be ascertained whether Directive 2002/58 precludes the Member States from laying down, with a view to ensuring effective protection of copyright, an obligation to communicate personal data which will enable the copyright holder to bring civil proceedings based on the existence of that right. If that is not the case, it will then have to be ascertained whether it follows directly from the three directives expressly mentioned by the national court that the Member States are required to lay down such an obligation. Finally, if that is not the case either, in order to provide the national court with an answer of use to it, it will have to be examined, starting from the national court's reference to the Charter, whether in a situation such as that at issue in the main proceedings other rules of Community law might require a different reading of those three directives.

Directive 2002/58

47 Article 5(1) of Directive 2002/58 provides that Member States must ensure the confidentiality of communications by means of a public communications network and publicly available electronic communications services, and of the related traffic data, and must *inter alia* prohibit, in principle, the storage of that data by persons other than users, without the consent of the users concerned. The only exceptions relate to persons lawfully authorised in accordance with Article 15(1) of that directive and the technical storage necessary for conveyance of a communication. In addition, as regards traffic data, Article 6(1) of Directive 2002/58 provides that stored traffic data must be erased or made anonymous when it is no longer needed for the purpose of the transmission of a communication without prejudice to paragraphs 2, 3 and 5 of that article and Article 15(1) of the directive.

48 With respect, first, to paragraphs 2, 3 and 5 of Article 6, which relate to the processing of traffic data in accordance with the requirements of billing and marketing services and the provision of value added services, those provisions do not concern the communication of that data to persons other than those acting under the authority of the providers of public communications networks and publicly available electronic communications services. As to the provisions of Article 6(6) of Directive 2002/58, they do not relate to disputes other than those between suppliers and users concerning the grounds for storing data in

connection with the activities referred to in the other provisions of that article. Since Article 6(6) thus clearly does not concern a situation such as that of *Promusicae* in the main proceedings, it cannot be taken into account in assessing that situation.

49 With respect, second, to Article 15(1) of Directive 2002/58, it should be recalled that under that provision the Member States may adopt legislative measures to restrict the scope *inter alia* of the obligation to ensure the confidentiality of traffic data, where such a restriction constitutes a necessary, appropriate and proportionate measure within a democratic society to safeguard national security (i.e. State security), defence, public security, and the prevention, investigation, detection and prosecution of criminal offences or of unauthorised use of the electronic communications system, as referred to in Article 13(1) of Directive 95/46.

50 Article 15(1) of Directive 2002/58 thus gives Member States the possibility of providing for exceptions to the obligation of principle, imposed on them by Article 5 of that directive, to ensure the confidentiality of personal data.

51 However, none of these exceptions appears to relate to situations that call for the bringing of civil proceedings. They concern, first, national security, defence and public security, which constitute activities of the State or of State authorities unrelated to the fields of activity of individuals (see, to that effect, *Lindqvist*, paragraph 43), and, second, the prosecution of criminal offences.

52 As regards the exception relating to unauthorised use of the electronic communications system, this appears to concern use which calls into question the actual integrity or security of the system, such as the cases referred to in Article 5(1) of Directive 2002/58 of the interception or surveillance of communications without the consent of the users concerned. Such use, which, under that article, makes it necessary for the Member States to intervene, also does not relate to situations that may give rise to civil proceedings.

53 It is clear, however, that Article 15(1) of Directive 2002/58 ends the list of the above exceptions with an express reference to Article 13(1) of Directive 95/46. That provision also authorises the Member States to adopt legislative measures to restrict the obligation of confidentiality of personal data where that restriction is necessary *inter alia* for the protection of the rights and freedoms of others. As they do not specify the rights and freedoms concerned, those provisions of Article 15(1) of Directive 2002/58 must be interpreted as expressing the Community legislature's intention not to exclude from their scope the protection of the right to property or situations in which authors seek to obtain that protection in civil proceedings.

54 The conclusion must therefore be that Directive 2002/58 does not preclude the possibility for the Member States of laying down an obligation to disclose personal data in the context of civil proceedings.

55 However, the wording of Article 15(1) of that directive cannot be interpreted as compelling the Member States, in the situations it sets out, to lay down such an obligation.

56 It must therefore be ascertained whether the three directives mentioned by the national court require those States to lay down that obligation in order to ensure the effective protection of copyright.

The three directives mentioned by the national court

57 It should first be noted that, as pointed out in paragraph 43 above, the purpose of the directives mentioned by the national court is that the Member States should ensure, especially in the information society, effective protection of industrial property, in particular copyright. However, it follows from Article 1(5)(b) of Directive 2000/31, Article 9 of Directive 2001/29 and Article 8(3)(e) of Directive 2004/48 that such protection cannot affect the requirements of the protection of personal data.

58 Article 8(1) of Directive 2004/48 admittedly requires Member States to ensure that, in the context of proceedings concerning an infringement of an intellectual property right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an intellectual property right be provided. However, it does not follow from those provisions, which must be read in conjunction with those of paragraph 3(e) of that article, that they require the Member States to lay down, in order to ensure effective protection of copyright, an obligation to communicate personal data in the context of civil proceedings.

59 Nor does the wording of Articles 15(2) and 18 of Directive 2000/31 or that of Article 8(1) and (2) of Directive 2001/29 require the Member States to lay down such an obligation.

60 As to Articles 41, 42 and 47 of the TRIPs Agreement, relied on by Promusicae, in the light of which Community law must as far as possible be interpreted where – as in the case of the provisions relied on in the context of the present reference for a preliminary ruling – it regulates a field to which that agreement applies (see, to that effect, Joined Cases C-300/98 and C-392/98 *Dior and Others* [2000] ECR I-11307, paragraph 47, and Case C-431/05 *Merck Genéricos – Produtos Farmacêuticos* [2007] ECR I-0000, paragraph 35), while they require the effective protection of intellectual property rights and the institution of judicial remedies for their enforcement, they do not contain provisions which require those directives to be interpreted as compelling the Member States to lay down an obligation to communicate personal data in the context of civil proceedings.

Fundamental rights

61 The national court refers in its order for reference to Articles 17 and 47 of the Charter, the first of which concerns the protection of the right to property, including intellectual property, and the second of which concerns the right to an effective remedy. By so doing, that court must be regarded as seeking to know whether an interpretation of those directives to the effect that the Member States are not obliged to lay down, in order to ensure the effective protection of copyright, an obligation to communicate personal data in the context of civil proceedings leads to an infringement of the fundamental right to property and the fundamental right to effective judicial protection.

62 It should be recalled that the fundamental right to property, which includes intellectual property rights such as copyright (see, to that effect, Case C-479/04 *Laserdisken* [2006] ECR I-8089, paragraph 65), and the fundamental right to effective judicial protection constitute general principles of Community law (see respectively, to that effect, Joined Cases C-154/04 and C-155/04 *Alliance for Natural Health and Others* [2005] ECR I-6451, paragraph 126 and the case-law cited, and Case C-432/05 *Unibet* [2007] ECR I-2271, paragraph 37 and the case-law cited).

63 However, the situation in respect of which the national court puts that question involves, in addition to those two rights, a further fundamental right, namely the right that guarantees protection of personal data and hence of private life.

64 According to recital 2 in the preamble to Directive 2002/58, the directive seeks to respect the fundamental rights and observes the principles recognised in particular by the Charter. In particular, the directive seeks to ensure full respect for the rights set out in Articles 7 and 8 of that Charter. Article 7 substantially reproduces Article 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms signed at Rome on 4 November 1950, which guarantees the right to respect for private life, and Article 8 of the Charter expressly proclaims the right to protection of personal data.

65 The present reference for a preliminary ruling thus raises the question of the need to reconcile the requirements of the protection of different fundamental rights, namely the right to respect for private life on the one hand and the rights to protection of property and to an effective remedy on the other.

66 The mechanisms allowing those different rights and interests to be balanced are contained, first, in Directive 2002/58 itself, in that it provides for rules which determine in what circumstances and to what extent the processing of personal data is lawful and what safeguards must be provided for, and in the three directives mentioned by the national court, which reserve the cases in which the measures adopted to protect the rights they regulate affect the protection of personal data. Second, they result from the adoption by the Member States of national provisions transposing those directives and their application by the national authorities (see, to that effect, with reference to Directive 95/46, Lindqvist, paragraph 82).

67 As to those directives, their provisions are relatively general, since they have to be applied to a large number of different situations which may arise in any of the Member States. They therefore logically include rules which leave the Member States with the necessary discretion to define transposition measures which may be adapted to the various situations possible (see, to that effect, Lindqvist, paragraph 84).

68 That being so, the Member States must, when transposing the directives mentioned above, take care to rely on an interpretation of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality (see, to that effect, Lindqvist, paragraph 87, and Case C-305/05 *Ordre des barreaux francophones et germanophone and Others* [2007] ECR I-0000, paragraph 28).

69 Moreover, it should be recalled here that the Community legislature expressly required, in accordance with Article 15(1) of Directive 2002/58, that the measures referred to in that paragraph be adopted by the Member States in compliance with the general principles of Community law, including those mentioned in Article 6(1) and (2) EU.

70 In the light of all the foregoing, the answer to the national court's question must be that Directives 2000/31, 2001/29, 2004/48 and 2002/58 do not require the Member States to lay down, in a situation such as that in the main proceedings, an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings. However, Community law requires that, when transposing those directives, the Member States take care to rely on an interpretation of them which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality.

Costs

71 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Grand Chamber) hereby rules:

Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce'), Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the

information society, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, and Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications) do not require the Member States to lay down, in a situation such as that in the main proceedings, an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings. However, Community law requires that, when transposing those directives, the Member States take care to rely on an interpretation of them which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the Member States must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality.

[Signatures]

JOHN DOE V. FRANCO PRODUCTIONS, ET AL. 2000 U.S. DIST. LEXIS 8845 (N.D. ILL.,
JUNE 21, 2000) – SELECTED DOCUMENTS

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

JOHN DOES 1 through 30 inclusive, and Unknown Illinois State University football Players, Plaintiff

VS.

FRANCO PRODUCTIONS; DAN FRANCO, Individually and d/b/a Franco Productions; GEORGE JACHEM, Individually and d/b/a Rodco; R.D. COUTURE, Individually and d/b/a Rodco, RODCO; HIDVIDCO: HIDVIDCO-ATLAS VIDEO RELEASE; DEREK ROBERTS, Individually and d/b/a/ AMO Video; AMO VIDEO; LOGAN GINES ENTERTAINMENT; LOGAN GAINES, Individually and d/b/a Logan Gaines Entrainment; MARVIN JONES, Individually and d/b/a Campfire Video; CAMPFIRE VIDEO; LEO MARTIN, Individually and d/b/a Gameport; GAMEPORT: JAY HENNIGAN, Individually and d/b/a Westnet Communications; WESTNET COMMUNICATIONS; ALAN GOULD; BRAD THEISSEN, Individually and d/b/a Cal Video; CAL VIDEO; TVRP; PSI NET, Individually and d/b/a TIAC.Net; GTE, Individually and d/b/a GTE Internet Working d/b/a Genuity.Net; RICK GREENSPAN; LINDA HERMAN; and DAVID STRAND, Defendants.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge: Before the Court is the motion to reconsider of Plaintiffs John Does 1 Through 30 Inclusive and Unknown Illinois State University Football Players. Plaintiffs ask us to reconsider our ruling of April 12, 2001, granting their motion for class certification and certifying the class pursuant to Rule 23(0)(3) of the Federal Rules of Civil Procedure. In support of this motion, they raise several concerns about the conduct required of them in order to satisfy the notice requirements of Rule 23(0)(3). In light of the sensitive allegations in this case, we can understand Plaintiffs' concerns. Accordingly, we have reconsidered the class certification issue.

Plaintiffs seek injunctive relief and monetary damages. They also desire to avoid the notice and opportunity to opt out required by Rule 23(0)(3) because of the delicate nature of this litigation. These dual desires - the pursuit of monetary damages but aversion to notice and opt-out provisions - can pose a predicament. Generally speaking, where plaintiffs seek money damages for their injuries, the Supreme Court has "stressed that proper interpretation of Rule 23, principles of sound judicial management, and constitutional considerations (due process and jury trial), all lead to the conclusion that in actions for money damages class members are entitled to personal notice and opportunity to opt out." *Jefferson v. Ingersoll Int'l. Inc.*, 195 F.3d 894, 897 (7th Cir. 1999) (citing *Ortiz v. Fibreboard Corp.*, 527 U.S. 815 (1999)). This general requirement may only be lifted where individual suits would confound the interest of other plaintiffs. See *id.*; see also Fed. R. Cir. P. 23(0)(1), 23(0)(2). Examples of such suits are where a limited fund must be distributed ratably among stakeholders (making certification appropriate under Rule 23(b)(1)), or where an injunction would affect everyone alike (making certification appropriate under Rule 23(b)(2)). Both subsections have limited application, however, and both the Supreme Court and the Seventh Circuit have discouraged "creative use" of these two subsections in order to "override the fights of class members to notice and an opportunity to control their own litigation." *Id.* (citing *Ortiz*, 527 U.S. 815 (1999)).

Neither Rule 23 (b)(1) nor Rule 23(b)(2) furnishes an appropriate basis for class certification in the case at bar. Because no limited fund is at play, nor would individual suits confound the interest of other plaintiffs, Rule 23(b)(1) does not apply. Furthermore, Rule 23(b)(2) cannot encompass the entire litigation, since Plaintiffs seek money damages as well as injunctive relief. The Seventh Circuit has held that certification of a class under Rule 23(b)(2), without notice or opportunity to opt out, is impermissible unless the requested monetary damage is "incidental" to the requested injunctive relief. See *Lemon v. International Union of Operating Engineers*, 216 F.3d 577, 581 (7th Cir. 2000) (vacating certification of a class under Rule 23(b)(2) where requested monetary damages were not incidental to the requested equitable relief). The term "incidental" is defined narrowly as "damages that flow directly from liability to the class as a whole on the claims forming the basis of injunctive or declaratory relief." *Id.*, (quoting *Allison v. Citgo Petroleum Corp.*, 151 F.3d 402, 415 (5th Cir. 1998)). Conversely, incidental damages do not depend on the "intangible, subjective differences of each class member's circumstances" nor require "additional hearings to resolve the disparate merits of each individual's case." *Id.* (quoting *Allison*, 151 F.3d at 415). The damages at the case at bar will be based on precisely such "intangible, subjective differences" among class members based on the nature of their exposure in the films. Assessing each individual's damages will necessarily require a hearing or some type of individual inquiry into that person's case. Accordingly, the damages in this case are not "incidental" to the desired injunctive relief, so class certification under Rule 23(b)(2) with respect to all claims is improper.

Instead, the most prudent course is to certify a class pursuant to Rule 23(b)(2) with respect to the injunctive relief sought by Plaintiffs. With respect to the portion of the case seeking monetary damages, however, we decline to certify a class action. Instead, each action will proceed individually. This resolution comports with the relevant rules and case law and accommodates Plaintiffs' desires as set forth on page five of their motion memorandum.

Charles P. Kocoras

United States District Judge

Dated: June 20, 2001

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

JOHN DOES 1 through 30 inclusive, and Unknown Illinois State University Football Players, Plaintiff,

Vs.

FRANCO PRODUCTIONS, DAN FRANCO, Individually and d/b/a FRANCO PRODUCTIONS, et al., Defendants.

99 C 7885

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge: This matter comes before the Court on Defendant PSINet's and GTE's motion to dismiss Plaintiffs' third amended complaint. For the reasons set forth below, the Court grants Defendants PSINet's and GTE's motion.

BACKGROUND

The Plaintiffs in this matter were intercollegiate athletes who, without theft knowledge or consent, were videotaped in various states of undress by hidden cameras in restrooms, locker rooms, or showers. The resulting videotapes were sold by various means, including web sites hosted by Genuity.net and TIAC.Net that included still images of the Plaintiffs taken from the videotapes. At no time did any of the Plaintiffs authorize the use of their images; in fact, they did not learn of the existence of the videotapes or that they were available for purchase until a newspaper article detailed the operation. They instituted this action to obtain monetary damages and injunctive relief for intrusion into the Plaintiffs' seclusion against the defendants, the alleged producers and distributors of the videotapes, and against defendants GTE Corporation and GTE Internetworking (together "GTE") and PSINet Inc. ("PSINet"), the respective successors to Genuity.net and TIAC.Net. The Court dismissed Plaintiffs' previous complaint against GTE, finding that GTE was a service provider and therefore immune from suit under the Communications Decency Act of 1996, 47 U.S.C. §230 (the "CDA"). The Court also granted PSINet's oral motion to dismiss on April 20, 2000 for the same reason. After the Court granted leave to amend, Plaintiffs filed their third amended complaint. They re-alleged their previous claims, this time making their allegations against GTE and PSINet in their capacity as web site hosts. Plaintiffs also added a third-party beneficiaries claim, a public nuisance claim, and a claim for eavesdropping under the Electronic Communications Privacy Act, 18 U.S.C. §2511(a) (the "EDPA"). Presently, GTE and Defendant PSINet move this court to dismiss the third amended complaint against them pursuant to Federal Rule of Civil Procedure 1209)(6).

LEGAL STANDARD

The purpose of a motion to dismiss pursuant to Rule 12(b)(6) is to test the sufficiency of the complaint, not to decide the merits of the case. A defendant must meet a high standard in order to have a complaint dismissed for failure to state a claim upon which relief may be granted. In ruling on a motion to dismiss, the court must construe the complaint's allegations in the light most favorable to the plaintiff and all well-pleaded facts and allegations in the plaintiffs complaint must be taken as true. *Bontkowski v. First Nat'l Bank of Cicero*, 998 F.2d 459, 461 (7th Cir. 1993), cert. denied, 510 U.S. 1012, 114 S.Ct. 602, 126 L.Ed.2d 567 (1993). The allegations of a complaint should not be dismissed for failure to state a claim "unless it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957). Nonetheless, in order to withstand a motion to dismiss, a complaint must allege facts sufficiently setting forth the essential elements of the cause of action. *Luciela v. primer*, 967 F.2d 1166, 1168 (Tth Cir. 1992), cert. denied, 506 U.S. 893, 113 S.Ct. 267, 121 L.Ed.2d 196 (1992).

In reviewing a Rule 12(b)(6) motion to dismiss for failure to state a claim, the court is limited to the allegations contained in the pleadings themselves. Documents incorporated by reference into the pleadings and documents attached to the pleading as exhibits are considered part of the pleadings for all purposes. See Fed. R. Civ. P. 10(c). In addition, "documents that a defendant attaches to a motion to dismiss are considered a part of the pleadings if they are referred to in the plaintiff's complaint and are central to her claim." *Venture Associates Com. v. Zenith Data Systems Corp.*, 987 F.2d 429,431 (7th Cir. 1993). It is with these principles in mind that the Court evaluates the present motion.

DISCUSSION

Defendants GTE and PS1Net move to dismiss Plaintiffs' third amended complaint, alleging that Plaintiffs amended their previous complaint to add allegations beyond those permitted by the Court when it granted Plaintiffs leave to amend. Defendants GTE and PSINet also argue that Plaintiffs' third amended

complaint exceeds the boundaries of pleading provided by Federal Rule of Civil Procedure 11. In addition, Defendants GTE and PSINet assert that the allegations in Plaintiffs' third amended complaint fail to state a claim.

I. Improper Amendment and Rule 11

The Court agrees with Defendants GTE and PSINet that Plaintiffs amended their complaint to an extent beyond which Plaintiffs represented they were seeking leave to amend. Although the Court looks unfavorably on parties who do not follow the spirit of its orders, the Court is unwilling to dismiss claims that may state viable causes of action solely on this basis.

Defendants GTE and PSINet also claim that Plaintiffs' pleadings made "on information and belief" do not conform with Rule 11. Although the Federal Rules allow liberal notice pleading, they do not "allow a plaintiff to abdicate the responsibility of alleging the basic facts demonstrating his entitlement to relief." *Murphy v. White Hen Pant~ Co.*, 691 F.2d 350, 353 (7th Cir. 1982). Allegations made on "information and belief" are usually sufficient to meet the requirements of Rule 8. See *Chisholm v. Foothill Capital Corp.*, 940 F. Supp. 1273, 1280 (N.D. Ill. 1996), citing *Hall v. Carlson*, 1985 WL 2412, at *1 (N.D. Ill. Aug. 28, 1985). Nevertheless, Rule 11 tempers the liberal pleading standards in federal court. See *Chisholm*, 940 F. Supp. at 1280. Rule 11 requires attorneys to conduct a "reasonable inquiry" into the facts and law of a complaint before filing it with the court. See *id.* (citations omitted); *Ped.R.Civ.P. 11Co*). The Advisory Committee Notes to the 1993 amendments to Rule 11 provide:

Tolerance of factual contentions in initial pleadings by plaintiffs or defendants when specifically identified as made on information and belief does not relieve litigants from the obligation to conduct an appropriate investigation into the facts that is reasonable under the circumstances; it is not a license to join parties, make claims, or present defenses without any factual basis or justification. *Fed.R.Civ.P. 11, 1993 Advisory Committee Notes*.

Plaintiffs push the boundaries of Rule 11 by making such general and nonspecific allegations with respect to GTE and PSINet, which suggest that Plaintiffs did not conduct a reasonable preliminary inquiry before filing its third amended complaint.

For example, Plaintiffs allege: As web site hosts, GTE and PSI engage in varying degrees of designing or creating or maintaining the web site, ranging anywhere from completely creating, writing, organizing and originally editing content before it is posted and changing, updating, adding or deleting content thereafter, to providing the template or architecture of the web site. The exact degree of involvement by GTE and PSI in creating and designing the web sites at issue is known only to the defendants and cannot be ascertained by the Plaintiffs without the right of discovery, but after a reasonable opportunity for further investigation or discovery, there is likely to be evidentiary support that GTE and PSI were responsible at least in part for the creation or development or design of the web site or web pages, including the web pages which advertised the videos for sale.

Essentially, Plaintiffs are alleging that they have no idea what GTE and PSINet do in their capacity as web hosts and it could be just about anything, but if given the opportunity, Plaintiffs can figure out what GTE and PSINet do, and it will probably include at least partial responsibility for the creation or development or design of the web site or web pages, based upon which Plaintiffs seek to hold GTE and PSINet liable. Plaintiffs further allege in their third amended complaint, "depending on the exact range of involvement in the creation or design of the web site, GTE and PSI may have created or designed actual content of the web site." This allegation suggests that Plaintiffs do not even possess a current belief based on any information that GTE or PSI did create or design the actual content of the web site, but rather, they hope and speculate that they may be able to demonstrate it if they end up uncovering certain information. Moreover, Plaintiffs' arguments in its response to GTE's and PSINet's motion to dismiss, seem to confirm that Plaintiffs do not have a reasonable belief that GTE and PSINet created the web site or contributed to its contents, but

rather that it is probable that GTE and PSINet helped provide the framework necessary for others to create a web site. Thus, Plaintiffs argue that "the Host Server Defendants in their capacity as such more likely than not helped to create the web site, including by developing the graphics, the photo utilization, and the information and materials related to credit card transactions necessary to the sale for the illegal videotapes."

These allegations press the limits of the liberal pleading standards and come up against the provisions of Rule 11. They indicate little preliminary inquiry by Plaintiffs into their allegations before filing their third amended complaint and little known information upon which to base belief in certain factual allegations. However, the Court will not dismiss Plaintiffs' third amended complaint for its stretching of Rule 11's provisions. Sanctions are the appropriate remedy for violation of Rule 11, not dismissal. See *Chisholm*, 940 F. Supp. at 1280-81. Because, however, the Court does not find that Plaintiffs' allegations are insufficient to place Defendants GTE and PSI-Net on notice as to the nature of Plaintiffs' claims, the Court will not dismiss Plaintiffs' third amended complaint based on pleading deficiencies under Rule 8. See Fed.R.Civ.P. 8; *Veazey v. Communications & Cable of Chicano. Inc.*, 194 F.3d 850, 854 (7th Cir. 1999).

II. Failure to State a Claim

A. Immunity under the CDA

Plaintiffs assert that they are not seeking to hold GTE and PSINet liable as publishers or speakers of information provided by another under §230(c)(1), thus whatever immunity that section may supply is irrelevant. Rather, Plaintiffs assert that it is seeking to hold GTE and PSINet liable for their "own conduct" in "knowingly failing to restrict content" under §230(c)(2). Section 230(c)(2) provides immunity to those who restrict or enable restriction to objectionable material. See 47 U.S.C. §230(c). Thus, Plaintiffs reason because GTE and PSINet did not restrict or enable restriction of objectionable material, they are not entitled to immunity under this section. However, what Plaintiffs ignore is that by seeking to hold GTE and PSINet liable for their decision not to restrict certain content it is seeking to hold them liable in a publisher's capacity. Section 230(c)(1) provides, "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." This "creates a federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service., lawsuits seeking to hold a service provider liable for its exercise of a publisher's traditional editorial functions-such as deciding whether to publish, withdraw, postpone or alter content-are barred." See *Zeran v. America Online, Inc.*, 129 F.3d 327, 330 (4th Cir. 1997); see also *Ben Ezra. Weinstein, and Co. v. America Online. Inc.*, 206 F.3d 980, 985-86 (10th Cir. 2000) (§230 forbids imposition of liability for exercise of editorial functions). Thus, because Plaintiffs seek to hold GTE and PSINet liable for their "own conduct" as publishers, GTE and PSINet may avail themselves of the CDA's immunity in this action under §230(c)(1).

Moreover, Plaintiffs have recast the dismissed claims raised in their previous complaint by alleging that they are bringing the instant suit against GTE and PSINet in their capacity as "web site host[s]" rather than service providers. In this capacity as web hosts, Plaintiffs claim that GTE and PSINet acted as "information content provider[s]" and would, thus, not be immune from suit under the CDA. GTE and PSINet argue that Plaintiffs' amended claims still fail to state a claim because web site hosting activities are immunized under the CDA.

The Court agrees with Defendants GTE and PSINet. The CDA creates federal immunity against any state law cause of action that would hold computer service providers liable for information originating from a third party. See *Franco Productions, No. 99 C 7885*, at *4-5 (unpublished Apr. 20, 2000); *Ben Ezra.*, 206 F.3d at 984-85. After the Court ruled that GTE as a service provider is immune from suit under the CDA, Plaintiffs severed out and focused on the allegedly separate role of web host played by GTE and PSINet, claiming that a suit against an entity based on its capacity as a web host is not barred by the CDA. This is because as web hosts GTE and PSI-Net are "information content provider[s]" according to Plaintiffs. Thus,

Plaintiffs essentially argue that although GTE and PSINet are acting as service providers, they are also content providers in their role as web hosts and that in its third amended complaint Plaintiffs only seek to hold GTE and PSINet liable in their separate capacity as content providers as manifested in their role as web hosts. However, not only did the Court previously find that GTE was acting as a service provider for purposes of this action, but the Court specifically rejected the notion that GTE was acting as a content provider in this action as well. See *Franco Productions*, No. 99 C 7885, at *7. The Court reiterates its previous holding finding GTE, and now similarly PSINet, service providers whose immunity or status as service providers under the CDA is not vitiated because of their web hosting activities, whether viewed in combination with their roles as service providers or in isolation. Immunity under the CDA is not limited to service providers who contain their activity to editorial exercises or those who do not engage in web hosting, but rather, "Congress ... provid[ed] immunity even where the interactive service provider has an active, even aggressive role in making available content prepared by others." *Blurnenthal v. Drudge*, 992 F. Supp. 44, 52 (D.D.C. 1998).

Thus, Plaintiffs' new characterization of GTE's and PSINet's activities as web hosts do not alter this finding. The deficiency in Plaintiffs' allegations is the notion that involvement in web hosting activities transform an entity into an information content provider. Plaintiffs believe that by focusing on Defendants GTE's and PSINet's web hosting activities, GTE and PSINet can essentially be characterized as information content providers. However, Plaintiff has pointed to no authority which provides that involvement in these web hosting activities makes an entity an information content provider.

Perhaps the Court is obtuse in its consistent "misunderstanding of Plaintiffs' cause of action," but it is still "at a loss to understand how GTE's [and PSINet's] role[s] in the descriptions or presentation of the images on the Web site impact the creation or development of the images and videotapes themselves." *Franco Productions*, No. 99 C 7885, *8-9. Plaintiffs' explain that "the culpable conduct is not only the taking of the videotapes but also disseminating them on the Internet and offering them for sale and selling them. The Plaintiffs were harmed, not just by the posting of their illegally taken images on the web page, but also by the sale and dissemination of the videotapes because of the web page." (Emphasis in original) This makes no clearer Plaintiffs' theory that GTE and PSINet were somehow content providers. Plaintiffs do not allege that GTE or PSINet themselves sold or offered for sale the videotapes at issue. Plaintiffs simply allege that GTE and PSINet, as web hosts, provided a medium through which others could sell or offer for sale the videotapes at issue. However, by offering web hosting services which enable someone to create a web page, GTE and PSINet are not magically rendered the creators of those web pages. See 47 U.S.C. (c)(1).

As such, Plaintiffs' new characterization of GTE and PSINet as web hosts neither prevents these defendants from being deemed service providers protected by immunity under the CDA nor makes them content providers unprotected by the CDA's immunity. Moreover, this immunity extends to Plaintiffs' newly alleged public nuisance claim.

In addition, Plaintiffs' claims for injunctive relief, although not precluded by the CDA, fail to state a claim. See *Mainstream Loudoun v. Board of Trustees*, 24 F. Supp. 2d 552, 561 (E.D. Va. 1998). Plaintiffs fail to elucidate what activities of GTE and PSINet they seek to enjoin. It appears that the offending images at issue are no longer available on any web site hosted by GTE or PSINet. Moreover, Plaintiffs do not suggest that there is a likelihood that GTE or PSINet will engage in any offending activity against Plaintiffs. As such, Plaintiffs have failed to make allegations that would demonstrate their entitlement to injunctive relief.

B. Third-Party Beneficiary Claim

Plaintiffs base their intended third-party beneficiaries claim on the contracts between GTE and PSINet and the other defendants in this action, which provide that the other defendants would not use the services of GTE and PSINet to violate federal or state law, or infringe the rights of others, or distribute child pornography or obscenity over the Internet. Plaintiffs reason that because the contract provides that the other defendants would not infringe the rights "of others," Plaintiffs are intended third-party beneficiaries

because they qualify as "others." This is insufficient to state a claim as an intended third-party beneficiary. Plaintiffs must allege express language in the contract identifying the third-party beneficiary or imply a showing where "the implication that the contract applies to third parties [is] so strong as to be practically an express declaration." *Quinn v. McGraw-Hill Companies, Inc.*, 168 F.3d 331,334 (7th Cir. 1999). Plaintiffs' allegations fail to accomplish this. Accordingly, Plaintiffs fail to state a claim as third-party beneficiaries.

C. Eavesdropping Claim

Plaintiffs seek to hold Defendants GTE and PSINet liable for eavesdropping under the ECPA. Although the CDA does not preclude an action under the ECPA, see 47 U.S.C. §230(e)(4), Plaintiffs' allegations fail to state a claim. Plaintiffs allege that GTE and PSINet "endeavored to disclose, or knowingly aided and abetted, the intentional disclosure or endeavor to disclose [sic] the oral communications of the Plaintiffs." However, Plaintiffs' factual allegations with respect to GTE and PSINet belie the notion that GTE or PSINet themselves endeavored to disclose any intercepted communication. See *Arazie v. Mullane*, 2 F.3d 1456, 1465 (7th Cir. 1993) (court is not required to ignore facts alleged in complaint that undermine plaintiffs claim). Plaintiffs do not allege that GTE or PSINet themselves posted any of the communications at issue on the web sites or that they in any way endeavored to disclose any such images. Rather, Plaintiffs' allegations suggest that GTE and PSINet as service providers were merely acting as conduits. See *United States v. Jackson*, 208 F.3d 633,637 (7th Cir. 2000) (Interact service providers are merely conduits). Thus, Plaintiffs are left to resort to creating a new cause of action-"aid[ing] and abett[ing] the intentional disclosure" or endeavoring to disclose oral communications. See 18 U.S.C. §2511. The ECPA does not recognize such a cause of action. Accordingly, Plaintiffs have failed to state a claim under the ECPA.

CONCLUSION

For the reasons set forth above, the Court grants Defendants GTE's and PSINet's motion to dismiss.

Charles P. Kocoras

United States District Judge

Dated: June 21, 2000

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

JOHN DOES 1 through 30 inclusive, and and Unknown Illinois State University Football Players, Plaintiffs,

vs.

FRANCO PRODUCTIONS, et al., Defendants.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

Before this Court is the Motion of Defendants Rick Greenspan, Linda Herman, and David Strand ("Defendants") to Dismiss Count X of the Third Amended Complaint filed by Plaintiffs John Does 1 through 30, et al. ("Plaintiffs"). Defendants are, respectively, Athletic Director, Assistant Athletic Director and President of Illinois State University ("ISU"). For the reasons set forth below, we grant the Defendants' motion.

BACKGROUND

The following facts have been taken from Plaintiff's complaint, the allegations of which must be assumed as true for purposes of this motion. See *Bontkowski v. First National Bank of Cicero*, 998 F.2d 459, 461 (7th Cir. 1993). Plaintiffs were intercollegiate athletes who, without their knowledge or consent, were videotaped in various states of undress by hidden cameras and microphones in the restrooms, locker rooms, and showers. The resulting product was sold on various videotapes and advertised and distributed via the Internet. At no time did any of the plaintiffs authorize the use of their images; in fact, they did not learn of the existence of the videotapes or that they were available for purchase until April 1999 when the athletes discovered a newspaper article detailing the operation. Plaintiffs in Count X of their complaint allege that Defendants became aware of the existence of said media in 1996 but did not inform the athletes. Plaintiffs further allege that Defendants did not disclose the existence of the videotapes, at least partially, because at least one Plaintiff had previously participated in a lawsuit against ISU. Plaintiffs claim as a result of the failure of Defendants to notify Plaintiffs, Plaintiffs' constitutional rights were violated. As a result of these alleged transgressions, Plaintiffs claim they, "suffered injury in the form of emotional distress, fear and anxiety which affected their abilities to attend to their daily functions, and which assumed physical manifestations, and otherwise injured Plaintiffs to their detriments [sic]." Plaintiffs allege that Defendants were acting pursuant to and under authority of the color of law in their official capacity as agents of ISU. The allegations against these three individuals are brought in their individual capacity. Defendants now move to dismiss the claims against them on the theory that Plaintiffs have failed to state a claim upon which relief can be granted.

LEGAL STANDARD

The purpose of the Rule 1209)(6) motion to dismiss for failure to state a claim upon which relief can be granted is to test the sufficiency of the complaint and not to decide the merits of the case. In ruling on a motion to dismiss, the court must construe the complaint's allegations in the light most favorable to the plaintiff, and all well-pleaded facts and allegations in the plaintiff's complaint must be taken as true. See *Bontkowski v. First National Bank of Cicero*, 998 F.2d 459, 461 (7th Cir. 1993). The allegations of a complaint should not be dismissed for failure to state a claim "unless it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." See *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957); *Sherwin Manor Nursing Center, Inc. v. McAuliffe*, 37 F.3d 1216, 1219 (7th Cir. 1994). In order to withstand a motion to dismiss, a complaint must allege facts sufficiently setting forth the essential elements of the cause of action. See *Lucien v. Preiner*, 967 F.2d 1166, 1168 (7th Cir. 1992). It is with these principles in mind that we address the motion before us.

ARGUMENT

Defendants wish to dismiss the claim against them on the ground that as employees of ISU, a public state institution, they are entitled to qualified immunity. We agree. Civil rights actions against state officials in their individual capacities are permitted under section 1 of the Civil Rights Act of 1871, 42 U.S.C. § 1983 ("§ 1983"), the tort remedy for deprivations of rights secured by federal law by persons acting under color of state law. Section 1983 provides in pertinent part:

Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities

secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress. 42 U.S.C. §1983.

Defendants are such state officials covered by the statute. See, e.g., *Propst v. Bitzer*, 39 F.3d 148 (7th Cir. 1994). However, the Supreme Court has held that Congress did not intend §1983 to abrogate the common law immunities traditionally accorded government officials, and that public officials are entitled to a certain degree of immunity, known as qualified immunity. See *Pierson v. Ray*, 386 U.S. 547 (1967). There is therefore a remedy to individuals injured by government officials' overreaching while at the same time protection for the ability of the officials to make decisions in the public interest and without disproportionate fear of the consequences. Were the law otherwise, public service to all citizens would suffer. See *Butz v. Economou*, 438 U.S. 478, 504-507 (1978); Stephen Balcerzak, "Qualified Immunity for Government Officials: The Problem of Unconstitutional Purpose in Civil Rights Litigation," *YALE LAW JOURNAL*, vol. 95, no. 126 (1985).

In *Harlow v. Fitzgerald*, 457 U.S. 800 (1982), the Supreme Court held that an official is "shielded from liability for civil damages insofar as [his/her] conduct does not violate clearly established statutory or constitutional rights of which a reasonable person would have known". *Id.* at 818. Harlow thus announced an objective standard for determining whether a government official is entitled to qualified immunity. *Id.*, at 816-819. The 7th Circuit has outlined a two-step approach in analyzing a defendant's qualified immunity defense: "(1) Does the alleged conduct set out a constitutional violation? and (2) Were the constitutional standards clearly established at the time in question?" See *Kernats v. O'Sullivan*, 35 F.3d 1171, 1176 (7th Cir. 1994) (citing *Siegert v. Gilley* 500 U.S. 226, 231-232 (1991)). A negative answer to either prong of this test will decide the matter. See *Montville v. Lewis*, 87 F.3d 900, 902 (7th Cir. 1996).

Once the defendant raises the qualified immunity defense, the plaintiff bears the burden of establishing the existence of the allegedly clearly established constitutional right. See *Rakovich v. Wade*, 850 F.3d 1180, 1209 (7th Cir. 1988). While the plaintiff need not demonstrate that the exact situation being considered was previously held unlawful, "[e]xactly analogous cases, those decided before the defendants acted or failed to act, are required to find that a constitutional right is clearly established" unless the violation is obvious. *Id.*; see *Kernats v. O'Sullivan*, 35 F.3d 1171, 1176 (7th Cir. 1994) (stating "[I]ndeed, one need not cite a case at all if the constitutional violation is obvious"). Further, in order not to require too much hesitation from our public officials, this Circuit has recognized that the "test for immunity should be whether the law was clear in relation to the specific facts confronting the public official when he acted." See *Colaizzi v. Walker*, 812 F.2d 304, 308 (7th Cir. 1987) (emphasis added). As such, a "clearly established" right must be sufficiently clear so that a reasonable officer would understand that he is violating that right. See *Anderson v. Creighton*, 483 U.S. 635, 640 (1987).

It is beyond doubt that Defendants' conduct, as alleged by Plaintiffs, does not constitute a constitutional violation. Without attendant duty to prevent the sale and distribution of the materials exposing Plaintiffs, Defendants cannot be held responsible solely on the basis of knowing of the existence of such media. See *Jackson v. City of Joliet*, 715 F.2d 1200 (7th Cir. 1983) (holding that plaintiffs have no affirmative constitutional right to competent rescue services); *Hilton v. City of Wheeling*, 209 F.3d 1005 (7th Cir. 2000) (holding the plaintiffs have no affirmative constitutional right to police assistance). Plaintiffs generally allege Defendants violated their constitutional rights to free speech, privacy, and access to the courts. Although these rights are indeed constitutional, it is unclear, and Plaintiffs fail to allege, how Defendants' conduct did actually violate those rights.

Plaintiffs first assert that Defendants violated Plaintiffs right to free speech by retaliating against Plaintiffs for an unrelated lawsuit previously filed by Plaintiffs against Defendants. We disagree. Although a first amendment cause of action is well recognized in response to retaliatory action by the administration of a university, see, e.g., *Papish v. Board of Curators of the Univ. of Missouri*, 410 U.S. 667 (1973), Plaintiffs fail to allege any affirmative acts by Defendants to retaliate against Plaintiffs for the filing of the lawsuit. See *Qvyjt v. Lin*, 953 F. Supp. 244, 248 (N.D.Ill. 1997) (holding that it is a clearly established that a university

may not act to "punish" a student for the content of his speech). Moreover, Defendants point out that only one member of the Plaintiffs class was involved in the filing of the prior lawsuit. Given that Defendants acted indiscriminately with regard to the entire class in the present case, any support for a first amendment cause of action on the basis of retaliatory action by Defendants simply vanishes.

Plaintiffs secondly allege that Defendants violated their right of privacy by failing to alert Plaintiffs about the availability of the media exposing Plaintiffs. We disagree. Again, while the constitutional right to privacy is well recognized, see, e.g., *Whalen v. Roe*, 429 U.S. 589 (1977), knowledge alone of disclosure of personal matters by non-public private parties is not actionable under § 1983. Plaintiffs provide no adequate support for their contention that Defendants should be liable. Plaintiffs cite *Slayton v. Willingham*, 726 F.2d 631 (10th Cir. 1984) and *York v. Story*, 324 F.2d 450 (9th Cir. 1963) for the proposition that, "the right to prevent disclosure of photographs or videotapes of one's nude body is a clearly established part of the right to privacy." Be that as it may, these cases are inapposite. *Slayton* involved plaintiff asserting a claim against the police chief for displaying nude photos of the plaintiff to plaintiff's acquaintances, *York* involved police officers photographing and distributing indecent pictures of plaintiff, who had contacted police to report an assault. Plaintiffs also rely heavily on *James v. City of Douglas*, 941 F.2d 1539 (11th Cir. 1991), where the court concluded that the plaintiff had asserted a sufficient violation of her constitutional rights when police officers improperly handled a videotape of plaintiff engaged in sexual activity such that the videotape was viewed by and distributed to a large number of individuals. Finally, Plaintiffs put forth *Doe v. Knox County Bd. of Educ.*, 918 F. Supp. 181 (E.D.Ky. 1996) in which the court found the defendants liable for disclosing intimate personal details of a student during a hearing on the student's educational plan. In each of these cases cited by Plaintiffs in alleging Defendants' liability for violating Plaintiffs' right to privacy, the defendants have had an active role in intruding on the plaintiffs' constitutional rights and public officials themselves violated the plaintiffs' constitutional rights. The present case involves a situation where Defendants themselves are alleged to have done nothing to intrude on Plaintiffs' right to privacy. Inaction by public officials, without more, is insufficient to generate liability. See, e.g., *Jackson v. City of Joliet*, 715 F.2d 1200 (1983). In the absence of an affirmative duty to disclose, Plaintiffs have not alleged how Defendants violated Plaintiffs' right to privacy by failing to disclose the existence of media displaying Plaintiffs in various states of undress.

Finally, Plaintiffs claim Defendants violated their right of access to the courts by concealing the existence of the media exposing Plaintiffs. Plaintiffs claim that Defendants concealed the existence of the media in order to prevent Plaintiffs from asserting a claim against Defendants for neglecting to provide a locker room free from unauthorized videotaping by failing to properly lock the locker room doors. Though the constitutional right of access to the courts is clearly established, see, e.g., *Chambers v. Baltimore & Ohio R.R. Co.*, 207 U.S. 142 (1907), Plaintiffs cite to cases which address active efforts by public officials to conceal information from plaintiffs, preventing the plaintiffs from pursuing a cause of action. These cases are unlike the instant case.

Delew v. Wagner, 143 F.3d 1219 (9th Cir. 1998) involved a situation where those suing through the plaintiff alleged a conspiracy among police officers, one of whom was a relative of the defendant, to cover up deliberate failures to fully investigate plaintiff's death. In *Gonsalves v. City of New Bedford* 939 F. Supp. 921 (D. Mass. 1996), the court found sufficient evidence to sustain a jury verdict of an intentional cover up of constitutional violations in a police beating of the deceased when the jury could not identify who was responsible for the constitutional violations. *Bell v. City of Milwaukee*, 746 F.2d 1205 (7th Cir. 1984) involved a conspiracy by police officers to prevent information from reaching the family of the deceased regarding an allegedly racially motivated shooting by a police officer. The plaintiffs in *Ryland v. Shapiro*, 708 F.2d 967 (5th Cir. 1983) alleged that police officers actively concealed and prevented a full investigation of the murder of the plaintiffs' daughter by a local prosecutor. In the case at bar, Plaintiffs allege that Defendants' concealment consists of failing to inform; it cannot be otherwise, for the offending media were already in the public domain and could not be concealed. There is a difference between failing

to do something versus active concealment. See *Flores v. Satz*, 137 F.3d 1275 (11th Cir. 1998); see also *Slagel v. Shell Oil Refinery*, 811 F. Supp. 378, 382 (N.D.Ill.1993), *aff'd* 23 F.3d 410 (1994) (police officer has no federal constitutional mandate to conduct investigation into plaintiff's assault charge). For example, the defendants in *Flores v. Satz*, 137 F.3d 1275 (11th Cir. 1998) were not liable when the plaintiff alleged the defendants violated plaintiff's constitutional rights by failing to investigate properly and expeditiously. By analogy, Defendants in the present case cannot be held liable for failing to do something they did not have an obligation to do. Thus, Plaintiffs have failed to allege the violation of a clearly established constitutional right.

Given that we find that Plaintiffs have not alleged a violation of a clearly established constitutional right, the second prong of the 7th Circuit's qualified immunity analysis is irrelevant. Where a right is not clearly established, it is futile to inquire into whether Defendants were aware of the nonexistent, or at best marginal, right. Plaintiffs have not carried their burden of demonstrating that Defendants are not entitled to qualified immunity. As such, we grant Defendants' motion to dismiss.

CONCLUSION

For the reasons stated above, this Court grants Defendants' motion to dismiss for failure to state a claim on the ground that Defendants are entitled to qualified

Charles P. Kocoras

United States District Judge

Dated: July 12, 2000

SECTION 4 OF THE DIRECTIVE 2000/31/EC

of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce')

Section 4: Liability of intermediary service providers

Article 12

"Mere conduit"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:

(a) does not initiate the transmission;

(b) does not select the receiver of the transmission; and

(c) does not select or modify the information contained in the transmission.

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 13

"Caching"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

(a) the provider does not modify the information;

(b) the provider complies with conditions on access to the information;

(c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;

(d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and

(e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.

2. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 14

Hosting

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

Article 15

No general obligation to monitor

1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

L'ORÉAL SA ET AL. V. EBAY INTERNATIONAL AG ET AL. C-324/09 (ECJ)

JUDGMENT OF THE COURT (Grand Chamber)

12 July 2011 (*)

In Case C-324/09,

REFERENCE for a preliminary ruling under Article 234 EC, from the High Court of Justice (England & Wales), Chancery Division, (United Kingdom), made by decision of 16 July 2009, received at the Court on 12 August 2009, in the proceedings

L'Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie, L'Oréal (UK) Ltd

v

eBay International AG, eBay Europe SARL, eBay (UK) Ltd, Stephen Potts, Tracy Ratchford, Marie Ormsby, James Clarke, Joanna Clarke, Glen Fox, Rukhsana Bi,

Judgment

1 This reference for a preliminary ruling concerns the interpretation of Articles 5 and 7 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3) ('Directive 89/104'), Articles 9 and 13 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce') (OJ 2000 L 178, p. 1) and Article 11 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).

2 The reference was made in proceedings between, on the one hand, L'Oréal SA and its subsidiaries Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie and L'Oréal (UK) Ltd (hereinafter referred to collectively as 'L'Oréal') and, on the other, three subsidiaries of eBay Inc., namely eBay International AG, eBay Europe SARL and eBay (UK) Ltd (hereinafter referred to collectively as 'eBay') as well as Mr Potts, Ms Ratchford, Ms Ormsby, Mr Clarke, Ms Clarke, Mr Fox and Ms Bi (hereinafter referred to collectively as 'the individual defendants'), concerning the sale, without L'Oréal's consent, of L'Oréal products on the online marketplace operated by eBay.

I – Legal context

A – Directive 89/104 and Regulation No 40/94

3 Directive 89/104 and Regulation No 40/94 were repealed by Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) (OJ 2008 L 299, p.25), which entered into force on 28 November 2008, and Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009. The dispute in the main proceedings none the less continues to be governed, account being taken of the material dates, by Directive 89/104 and Regulation No 40/94.

4 Article 5 of Directive 89/104, entitled 'Rights conferred by a trade mark', was worded as follows:

'1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

3. The following, inter alia, may be prohibited under paragraphs 1 and 2:

(a) affixing the sign to the goods or to the packaging thereof;

(b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign on business papers and in advertising.

...'

5 The wording of Article 9(1)(a) and (b) of Regulation No 40/94 corresponded in substance to that of Article 5(1) of Directive 89/104. Paragraph 2 of Article 9 corresponded to paragraph 3 of Article 5. As to Article 9(1)(c) of Regulation No 40/94, it provided:

'A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

...

(c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark'.

6 Article 7 of Directive 89/104, entitled 'Exhaustion of the rights conferred by a trade mark', stated:

'1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in [the European Economic Area] under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.'

7 Under Article 13(1) of Regulation No 40/94, '[a] Community trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the [European Union] under that trade mark by the proprietor or with his consent'. The wording of Article 13(2) is identical to that of Article 7(2) of Directive 89/104.

B – Directive 2000/31 ('Directive on electronic commerce')

8 Article 2(a) of Directive 2000/31 defines 'information society services' by reference to Article 1(2) of Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on Information Society services (OJ 1998 L 204, p. 37), as amended by Directive 98/48/EC of 20 July 1998 (OJ 1998 L 217, p. 18) ('Directive 98/34'), which refers to 'any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services'.

9 Article 1(2) of Directive 98/34 continues as follows:

...

'For the purposes of this definition:

- "at a distance" means that the service is provided without the parties being simultaneously present,
- "by electronic means" means that the service is sent initially and received at its destination by means of electronic equipment for the processing ... and storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means,
- "at the individual request of a recipient of services" means that the service is provided through the transmission of data on individual request.

...'

10 Article 6 of Directive 2000/31 states:

'In addition to other information requirements established by [European Union] law, Member States shall ensure that commercial communications which are part of, or constitute, an information society service comply at least with the following conditions:

...

(b) the natural or legal person on whose behalf the commercial communication is made shall be clearly identifiable;

...'

11 Chapter II of Directive 2000/31 includes a section (Section 4) entitled 'Liability of intermediary service providers', which comprises Articles 12 to 15.

12 Article 14 of Directive 2000/31, entitled 'Hosting', provides:

'1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information'.

13 Article 15 of Directive 2000/31, entitled 'No general obligation to monitor', provides:

'1. Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

...'

14 Chapter III of Directive 2000/31 includes, in particular, Article 18, entitled 'Court actions', which provides:

'Member States shall ensure that court actions available under national law concerning information society services' activities allow for the rapid adoption of measures, including interim measures, designed to terminate any alleged infringement and to prevent any further impairment of the interests involved.

...'

C – Directive 2004/48 ('Directive on the enforcement of intellectual property rights')

15 Recitals 1 to 3, 23, 24 and 32 in the preamble to Directive 2004/48 state:

'(1) The achievement of the internal market entails eliminating restrictions on freedom of movement and distortions of competition, while creating an environment conducive to innovation and investment. In this context, the protection of intellectual property is an essential element for the success of the internal market ...

(2) ... At the same time, it should not hamper freedom of expression, the free movement of information, or the protection of personal data, including on the internet.

(3) However, without effective means of enforcing intellectual property rights, innovation and creativity are discouraged and investment diminished. It is therefore necessary to ensure that the substantive law on intellectual property, which is nowadays largely part of the *acquis communautaire*, is applied effectively in the [European Union]. ...

...

(23) ... [r]ightholders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder's industrial property right. The conditions and procedures relating to such injunctions should be left to the national law of the Member States. As far as infringements of copyright and related rights are concerned, a comprehensive level of harmonisation is already provided for in Directive 2001/29/EC [of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10)]. Article 8(3) of Directive 2001/29/EC should therefore not be affected by this Directive.

(24) Depending on the particular case, and if justified by the circumstances, the measures, procedures and remedies to be provided for should include prohibitory measures aimed at preventing further infringements of intellectual property rights. ...

...

(32) This Directive respects the fundamental rights ... recognised in particular by the Charter of Fundamental Rights of the European Union. In particular, this Directive seeks to ensure full respect for intellectual property, in accordance with Article 17(2) of that Charter.'

16 Article 2 of Directive 2004/48, which defines the scope of the directive, provides:

'1. Without prejudice to the means which are or may be provided for in [European Union] or national legislation, in so far as those means may be more favourable for rightholders, the measures, procedures and remedies provided for by this Directive shall apply ... to any infringement of intellectual property rights as provided for by [European Union] law and/or by the national law of the Member State concerned.

...

3. This Directive shall not affect:

(a) ... Directive 2000/31/EC, in general, and Articles 12 to 15 of Directive 2000/31/EC in particular;

...':

17 Chapter II of Directive 2004/48, entitled 'Measures, procedures and remedies', contains six sections, the first of which, entitled 'General provisions', includes Article 3, which provides:

'1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade ...'.

18 Section 5 of Chapter II of Directive 2004/48 is entitled 'Measures resulting from a decision on the merits of the case'. It is formed of Articles 10, 11 and 12, entitled, 'Corrective measures', 'Injunctions' and 'Alternative measures', respectively.

19 Under Article 11 of Directive 2004/48:

'Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.'

20 Article 8(3) of Directive 2001/29, provides:

'Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.'

D – Directive 76/768 ('Directive on cosmetic products')

21 Article 6(1) of Council Directive 76/768/EEC of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products (OJ 1976 L 262, p. 169), as amended by Directive 2003/15/EC of the European Parliament and of the Council of 27 February 2003 (OJ 2003 L 66, p. 26), provides:

'1. Member States shall take all measures necessary to ensure that cosmetic products may be marketed only if the container and packaging bear the following information in indelible, easily legible and visible lettering; the information mentioned in point (g) may, however, be indicated on the packaging alone:

- (a) the name or style and the address or registered office of the manufacturer or the person responsible for marketing the cosmetic product who is established within the Community ...;
 - (b) the nominal content at the time of packaging ...;
 - (c) the date of minimum durability ...;
 - (d) particular precautions to be observed in use ...;
 - (e) the batch number of manufacture or the reference for identifying the goods. ...;
 - (f) the function of the product, unless it is clear from the presentation of the product;
 - (g) a list of ingredients
- ...'

E – National legislation

22 Directive 89/104 was incorporated into national law by the Trade Marks Act 1994. Section 10 of that Act implements Article 5(1) to (3) of Directive 89/104.

23 Directive 2000/31 was incorporated into national law by the Electronic Commerce (EC Directive) Regulations. Regulation 19 thereof implements Article 14 of Directive 2000/31.

24 As regards the third sentence of Article 11 of Directive 2004/48, the United Kingdom of Great Britain and Northern Ireland has not adopted specific rules to implement that provision. The power to grant injunctions is, however, governed by Section 37 of the Supreme Court Act 1981, by virtue of which the High Court may grant an injunction 'in all cases in which it appears to be just and convenient to do so'.

25 Directive 76/768 is incorporated into national law by the Cosmetic Products (Safety) Regulations. Regulation 12 thereof corresponds to Article 6(1) of Directive 76/768 and contravention of that regulation can constitute a criminal offence.

II – The dispute in the main proceedings and the questions referred for a preliminary ruling

26 L'Oréal is a manufacturer and supplier of perfumes, cosmetics and hair-care products. In the United Kingdom it is the proprietor of a number of national trade marks. It is also the proprietor of Community trade marks.

27 L'Oréal operates a closed selective distribution network, in which authorised distributors are restrained from supplying products to other distributors.

28 eBay operates an electronic marketplace on which are displayed listings of goods offered for sale by persons who have registered for that purpose with eBay and have created a seller's account with it. eBay charges a percentage fee on completed transactions.

29 eBay enables prospective buyers to bid for items offered by sellers. It also allows items to be sold without an auction, and thus for a fixed price, by means of a system known as 'Buy It Now'. Sellers can also set up online shops on eBay sites. An online shop lists all the items offered for sale by one seller at a given time.

30 Sellers and buyers must accept eBay's online-market user agreement. One of the terms of that agreement is a prohibition on selling counterfeit items and on infringing trade marks.

31 In some cases eBay assists sellers in order to enhance their offers for sale, to set up online shops, to promote and increase their sales. It also advertises some of the products sold on its marketplace using search engine operators such as Google to trigger the display of advertisements.

32 On 22 May 2007, L'Oréal sent eBay a letter expressing its concerns about the widespread incidence of transactions infringing its intellectual property rights on eBay's European websites.

33 L'Oréal was not satisfied with the response it received and brought actions against eBay in various Member States, including an action before the High Court of Justice (England & Wales), Chancery Division.

34 L'Oréal's action before the High Court of Justice sought a ruling, first, that eBay and the individual defendants are liable for sales of 17 items made by those individuals through the website www.ebay.co.uk, L'Oréal claiming that those sales infringed the rights conferred on it by, inter alia, the figurative Community trade mark including the words 'Amor Amor' and the national word mark 'Lancôme'.

35 It is common ground between L'Oréal and eBay that two of those 17 items are counterfeits of goods bearing L'Oréal trade marks.

36 Although L'Oréal does not claim that the other 15 items are counterfeits, it none the less considers that the sale of the items infringed its trade mark rights, since those items were either goods that were not intended for sale (such as tester or dramming products) or goods bearing L'Oréal trade marks intended for sale in North America and not in the European Economic Area ('EEA'). Furthermore, some of the items were sold without packaging.

37 Whilst refraining from ruling at this stage on the question as to the extent to which L'Oréal's trade mark rights have been infringed, the High Court of Justice has confirmed that the individual defendants made the sales described by L'Oréal on the website www.ebay.co.uk.

38 Second, L'Oréal submits that eBay is liable for the use of L'Oréal trade marks where those marks are displayed on eBay's website and where sponsored links triggered by the use of keywords corresponding to the trade marks are displayed on the websites of search engine operators, such as Google.

39 Concerning the last point, it is not disputed that eBay, by choosing keywords corresponding to L'Oréal trade marks in Google's 'Ad Words' referencing service, caused to be displayed, each time that there was a match between a keyword and the word entered in Google's search engine by an internet user, a sponsored link to the site www.ebay.co.uk. That link would appear in the 'sponsored links' section displayed on either the right-hand side, or on the upper part, of the screen displayed by Google.

40 Thus, on 27 March 2007, when an internet user entered the words 'shu uemura' – which in essence coincide with L'Oréal's national word mark 'Shu Uemura' – as a search string in the Google search engine, the following eBay advertisement was displayed in the 'sponsored links' section:

'Shu Uemura

Great deals on Shu uemura

Shop on eBay and Save!

www.ebay.co.uk'.

41 Clicking on that sponsored link led to a page on the www.ebay.co.uk website which showed '96 items found for shu uemura'. Most of those items were expressly stated to be from Hong Kong.

42 Similarly, taking one of the other examples, when, on 27 March 2007, an internet user entered the words 'matrix hair', which correspond in part to L'Oréal's national word mark 'Matrix', as a search string in the Google search engine, the following eBay listing was displayed as a 'sponsored link':

'Matrix hair

Fantastic low prices here

Feed your passion on eBay.co.uk!

www.ebay.co.uk'.

43 Third, L'Oréal has claimed that, even if eBay was not liable for the infringements of its trade mark rights, it should be granted an injunction against eBay by virtue of Article 11 of Directive 2004/48.

44 L'Oréal reached a settlement with some of the individual defendants (Mr Potts, Ms Ratchford, Ms Ormsby, Mr Clarke and Ms Clarke) and obtained judgment in default against the others (Mr Fox and Ms Bi). Subsequently, in March 2009, a hearing dealing with the action against eBay was held before the High Court of Justice.

45 By judgment of 22 May 2009, the High Court of Justice made a number of findings of fact and concluded that the state of the proceedings did not permit final judgment in the case, as a number of questions of law first required an interpretation from the Court of Justice of the European Union.

46 In its judgment, the High Court of Justice notes that eBay has installed filters in order to detect listings which might contravene the conditions of use of the site. That court also notes that eBay has developed, using a programme called 'VeRO' (Verified Rights Owner), a notice and take-down system that is intended to provide intellectual property owners with assistance in removing infringing listings from the marketplace. L'Oréal has declined to participate in the VeRO programme, contending that the programme is unsatisfactory.

47 The High Court of Justice has also stated that eBay applies sanctions, such as the temporary – or even permanent – suspension of sellers who have contravened the conditions of use of the online marketplace.

48 Despite the findings set out above, the High Court of Justice took the view that eBay could do more to reduce the number of sales on its online marketplace which infringe intellectual property rights. According to that court, eBay could use additional filters. It could also include in its rules a prohibition on selling, without the consent of the trade mark proprietors, trade-marked goods originating from outside the EEA. It could also impose additional restrictions on the volumes of products that can be listed at any one time and apply sanctions more rigorously.

49 The High Court of Justice states, however, that the fact that it would be possible for eBay to do more does not necessarily mean that it is legally obliged to do so.

50 By decision of 16 July 2009, which follows on from the judgment of 22 May 2009, the High Court of Justice decided to stay the proceedings and refer the following questions to the Court for a preliminary ruling:

(1) Where perfume and cosmetic testers (i.e. samples for use in demonstrating products to consumers in retail outlets) and dramming bottles (i.e. containers from which small aliquots can be taken for supply to consumers as free samples) which are not intended for sale to consumers (and are often marked “not for sale” or “not for individual sale”) are supplied without charge to the trade mark proprietor’s authorised distributors, are such goods “put on the market” within the meaning of Article 7(1) of [Directive 89/104] and Article 13(1) of [Regulation No 40/94]?

(2) Where the boxes (or other outer packaging) have been removed from perfumes and cosmetics without the consent of the trade mark proprietor, does this constitute a “legitimate reason” for the trade mark proprietor to oppose further commercialisation of the unboxed products within the meaning of Article 7(2) of [Directive 89/104] and Article 13(2) of [Regulation No 40/94]?

(3) Does it make a difference to the answer to question 2 above if:

(a) as a result of the removal of the boxes (or other outer packaging), the unboxed products do not bear the information required by Article 6(1) of [Directive 76/768], and in particular do not bear a list of ingredients or a “best before date”?

(b) as a result of the absence of such information, the offer for sale or sale of the unboxed products constitutes a criminal offence according to the law of the Member State of the Community in which they are offered for sale or sold by third parties?

(4) Does it make a difference to the answer to question 2 above if the further commercialisation damages, or is likely to damage, the image of the goods and hence the reputation of the trade mark? If so, is that effect to be presumed, or is it required to be proved by the trade mark proprietor?

(5) Where a trader which operates an online marketplace purchases the use of a sign which is identical to a registered trade mark as a keyword from a search engine operator so that the sign is displayed to a user by the search engine in a sponsored link to the website of the operator of the online marketplace, does the display of the sign in the sponsored link constitute “use” of the sign within the meaning of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

(6) Where clicking on the sponsored link referred to in question 5 above leads the user directly to advertisements or offers for sale of goods identical to those for which the trade mark is registered under the sign placed on the website by other parties, some of which infringe the trade mark and some [of] which do not infringe the trade mark by virtue of the differing statuses of the respective goods, does that constitute use of the sign by the operator of the online marketplace “in relation to” the infringing goods within the meaning of 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94]?

(7) Where the goods advertised and offered for sale on the website referred to in question 6 above include goods which have not been put on the market within the EEA by or with the consent of the trade mark proprietor, is it sufficient for such use to fall within the scope of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94] and outside Article 7(1) of [Directive 89/104] and Article 13(1) of [Regulation No 40/94] that the advertisement or offer for sale is targeted at consumers in the territory covered by the trade mark or must the trade mark proprietor show that the advertisement or offer for sale necessarily entails putting the goods in question on the market within the territory covered by the trade mark?

(8) Does it make any difference to the answers to questions 5 to 7 above if the use complained of by the trade mark proprietor consists of the display of the sign on the web site of the operator of the online marketplace itself rather than in a sponsored link?

(9) If it is sufficient for such use to fall within the scope of Article 5(1)(a) of [Directive 89/104] and Article 9(1)(a) of [Regulation No 40/94] and outside Article 7 ... of [Directive 89/104] and Article 13 ... of [Regulation No 40/94] that the advertisement or offer for sale is targeted at consumers in the territory covered by the trade mark:

(a) does such use consist of or include “the storage of information provided by a recipient of the service” within the meaning of Article 14(1) of [Directive 2000/31]?

(b) if the use does not consist exclusively of activities falling within the scope of Article 14(1) of [Directive 2000/31], but includes such activities, is the operator of the online marketplace exempted from liability to the extent that the use consists of such activities and if so may damages or other financial remedies be granted in respect of such use to the extent that it is not exempted from liability?

(c) in circumstances where the operator of the online marketplace has knowledge that goods have been advertised, offered for sale and sold on its website in infringement of registered trade marks, and that infringements of such registered trade marks are likely to continue to occur through the advertisement, offer for sale and sale of the same or similar goods by the same or different users of the website, does this constitute “actual knowledge” or “awareness” within the meaning of Article 14(1) of [Directive 2000/31]?

(10) Where the services of an intermediary such as an operator of a website have been used by a third party to infringe a registered trade mark, does Article 11 of [Directive 2004/48] require Member States to ensure that the trade mark proprietor can obtain an injunction against the intermediary to prevent further infringements of the said trade mark, as opposed to continuation of that specific act of infringement, and if so what is the scope of the injunction that shall be made available?

III – Consideration of the questions referred

A – The first to fourth questions, and the seventh question, concerning the sale of trade-marked goods on an online marketplace

1. Preliminary considerations

51 As has been stated at paragraphs 36 and 37 of this judgment, it is not disputed that the individual defendants have, via the www.ebay.co.uk website, offered for sale, and sold, to consumers within the European Union (‘EU’) goods bearing L’Oréal trade marks which L’Oréal intended for sale in third States, as well as goods not intended for sale, such as tester and dramming items. Nor is it disputed that a number of those goods were sold without packaging.

52 It can also be seen from the findings summarised at paragraphs 40 and 41 of this judgment that goods imported into third States were offered for sale on the website www.ebay.co.uk, those findings showing that eBay advertised, on that site, offers for sale of goods bearing the Shu Uemura trade mark which were located in Hong Kong (China).

53 eBay denies that there can be any infringement of trade mark rights when such offers for sale are displayed on its online marketplace. By its first to fourth question and its seventh question, the referring court seeks to ascertain whether eBay’s position is correct.

54 Before considering those questions, it is important to recall, following the Advocate General at point 79 of his Opinion, that the exclusive rights conferred by trade marks may, as a rule, be relied on only as against economic operators. Indeed, for the proprietor of a trade mark to be entitled to prevent a third party from using a sign identical with or similar to his trade mark, the use must take place in the course of

trade (see, *inter alia*, Case C-245/02 Anheuser-Busch [2004] ECR I-10989, paragraph 62, and Case C-487/07 L'Oréal and Others [2009] ECR I-5185, paragraph 57).

55 Accordingly, when an individual sells a product bearing a trade mark through an online marketplace and the transaction does not take place in the context of a commercial activity, the proprietor of the trade mark cannot rely on his exclusive right as expressed in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94. If, however, owing to their volume, their frequency or other characteristics, the sales made on such a marketplace go beyond the realms of a private activity, the seller will be acting 'in the course of trade' within the meaning of those provisions.

56 In its judgment of 22 May 2009, the referring court found that Mr Potts, one of the individual defendants, had sold, through the www.ebay.co.uk site, a large number of items bearing L'Oréal trade marks. In view of that fact, the referring court concluded that Mr Potts had acted as a business seller. Similar findings were made in relation to Ms Ratchford, Ms Ormsby, Ms Clarke, Ms Bi, Mr Clarke and Mr Fox.

57 Thus, given that the offers for sale and the sales mentioned in paragraph 51 of this judgment, which entailed the use of signs identical or similar to trade marks owned by L'Oréal, took place 'in the course of trade' and since moreover it is not disputed that L'Oréal did not consent thereto, consideration should be given to whether L'Oréal was entitled, in view of all the rules set out in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 and to the case-law relating to those provisions, to prevent those offers for sale and sales.

2. The offer for sale, by means of an online marketplace targeted at consumers in the EU, of trade-marked goods intended, by the proprietor of the mark, for sale in third States

58 By its seventh question, which it is appropriate to examine first, the referring court asks, in essence, whether, for the proprietor of a trade mark registered in a Member State of the EU or of a Community trade mark to be able to prevent, under the rules set out in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94, the offer for sale, on an online marketplace, of goods bearing that trade mark which have not previously been put on the market in the EEA or, in the case of a Community trade mark, in the EU, it is sufficient that the offer for sale is targeted at consumers located in the territory covered by the trade mark.

59 The rule set out in Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 confers on the proprietor of a trade mark exclusive rights entitling him to prevent any third party from importing goods bearing that mark, offering the goods, or putting them on the market or stocking them for those purposes, whilst Article 7 of the directive and Article 13 of the regulation have laid down an exception to that rule, providing that the trade mark proprietor's rights are exhausted where the goods have been put on the market in the EEA – or, in the case of a Community trade mark, in the EU – by the proprietor himself or with his consent (see, *inter alia*, Case C-16/03 Peak Holding [2004] ECR I-11313, paragraph 34; Case C-324/08 Makro Zelfbedieningsgroothandel and Others [2009] ECR I-10019, paragraph 21, and Case C-127/09 Coty Prestige Lancaster Group [2010] ECR I-0000, paragraphs 28 and 46).

60 In the situation under consideration in the context of this question, in which the goods have at no time been put on the market within the EEA by the trade mark proprietor or with his consent, the exception set out in Article 7 of Directive 89/104 and Article 13 of Regulation No 40/94 cannot apply. In that regard, the Court has repeatedly held that it is essential that the proprietor of a trade mark registered in a Member State can control the first placing of goods bearing that trade mark on the market in the EEA (see, *inter alia*, Joined Cases C-414/99 to C-416/99 Zino Davidoff and Levi Strauss [2001] ECR I-8691, paragraph 33; Peak Holding, paragraphs 36 and 37, and Makro Zelfbedieningsgroothandel and Others, paragraph 32).

61 Whilst recognising those principles, eBay submits that the proprietor of a trade mark registered in a Member State or of a Community trade mark cannot properly rely on the exclusive right conferred by that trade mark as long as the goods bearing it and offered for sale on an online marketplace are located in a third State and will not necessarily be forwarded to the territory covered by the trade mark in question. L'Oréal, the United Kingdom Government, the Italian, Polish and Portuguese Governments, and the European Commission contend, however, that the rules of Directive 89/104 and Regulation No 40/94 apply as soon as it is clear that the offer for sale of a trade-marked product located in a third State is targeted at consumers in the territory covered by the trade mark.

62 The latter contention must be accepted. If it were otherwise, operators which use electronic commerce by offering for sale, on an online market place targeted at consumers within the EU, trade-marked goods located in a third State, which it is possible to view on the screen and to order via that marketplace, would, so far as offers for sale of that type are concerned, have no obligation to comply with the EU intellectual property rules. Such a situation would have an impact on the effectiveness (effet utile) of those rules.

63 It is sufficient to state in that regard that, under Article 5(3)(b) and (d) of Directive 89/104 and Article 9(2)(b) and (d) of Regulation No 40/94, the use by third parties of signs identical with or similar to trade marks which proprietors of those marks may prevent includes the use of such signs in offers for sale and advertising. As the Advocate General observed at point 127 of his Opinion and as the Commission pointed out in its written observations, the effectiveness of those rules would be undermined if they were not to apply to the use, in an internet offer for sale or advertisement targeted at consumers within the EU, of a sign identical with or similar to a trade mark registered in the EU merely because the third party behind that offer or advertisement is established in a third State, because the server of the internet site used by the third party is located in such a State or because the product that is the subject of the offer or the advertisement is located in a third State.

64 It must, however, be made clear that the mere fact that a website is accessible from the territory covered by the trade mark is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory (see, by analogy, Joined Cases C-585/08 and C-144/09 *Pammer and Hotel Alpenhof* [2010] ECR I-0000, paragraph 69). Indeed, if the fact that an online marketplace is accessible from that territory were sufficient for the advertisements displayed there to be within the scope of Directive 89/104 and Regulation No 40/94, websites and advertisements which, although obviously targeted solely at consumers in third States, are nevertheless technically accessible from EU territory would wrongly be subject to EU law.

65 It therefore falls to the national courts to assess on a case-by-case basis whether there are any relevant factors on the basis of which it may be concluded that an offer for sale, displayed on an online marketplace accessible from the territory covered by the trade mark, is targeted at consumers in that territory. When the offer for sale is accompanied by details of the geographic areas to which the seller is willing to dispatch the product, that type of detail is of particular importance in the said assessment.

66 In the case before the referring court, the website with the address 'www.ebay.co.uk' appears, in the absence of any evidence to the contrary, to be targeted at consumers in the territory covered by the national and Community trade marks relied on; the offers for sale on that website which form the subject-matter of the main proceedings therefore fall within the scope of the EU rules on intellectual property.

67 Accordingly, the answer to the seventh question referred is that where goods located in a third State, which bear a trade mark registered in a Member State of the EU or a Community trade mark and have not previously been put on the market in the EEA or, in the case of a Community trade mark, in the EU, (i) are sold by an economic operator through an online marketplace without the consent of the trade mark proprietor to a consumer located in the territory covered by the trade mark or (ii) are offered for sale or advertised on such a marketplace targeted at consumers located in that territory, the trade mark

proprietor may prevent that sale, offer for sale or advertising by virtue of the rules set out in Article 5 of Directive 89/104 or in Article 9 of Regulation No 40/94. It is the task of the national courts to assess on a case-by-case basis whether relevant factors exist, on the basis of which it may be concluded that an offer for sale or an advertisement displayed on an online marketplace accessible from the territory covered by the trade mark is targeted at consumers in that territory.

3. The offer for sale of testers and dramming products

68 It is common ground that, at the time of the facts considered by the referring court, the individual defendants also offered for sale, on the website www.ebay.co.uk, testers and dramming items which L'Oréal had supplied free of charge to its authorised distributors.

69 By its first question, the referring court asks, in essence, whether the supply by the proprietor of a trade mark of items bearing that mark, intended for demonstration to consumers in authorised retail outlets, and of bottles also bearing the mark from which small quantities can be taken for supply to consumers as free samples amounts to those goods being put on the market within the meaning of Directive 89/104 and Regulation No 40/94.

70 The referring court found in that regard that L'Oréal had clearly indicated to its authorised distributors that they could not sell such items and bottles, which in any case were often marked 'not for sale'.

71 As the Court has already held, where the proprietor of a trade mark affixes that mark to items that it gives away, free of charge, in order to promote the sale of its goods, those items are not distributed in any way with the aim of them penetrating the market (see Case C-495/07 *Silberquelle* [2009] ECR I-137, paragraphs 20 to 22). Where such items are supplied free of charge, they thus cannot, as a rule, be regarded as being put on the market by the trade mark proprietor.

72 The Court has also stated that when a trade mark proprietor marks items such as perfume testers with the words 'demonstration' or 'not for sale', that precludes, in the absence of any evidence to the contrary, a finding that that proprietor impliedly consented to those items being put on the market (see *Coty Prestige Lancaster Group*, paragraphs 43, 46 and 48).

73 Accordingly, the answer to the first question is that where the proprietor of a trade mark supplies to its authorised distributors items bearing that mark, intended for demonstration to consumers in authorised retail outlets, and bottles bearing the mark from which small quantities can be taken for supply to consumers as free samples, those goods, in the absence of any evidence to the contrary, are not put on the market within the meaning of Directive 89/104 and Regulation No 40/94.

4. The marketing of unboxed goods

74 As has been explained in paragraphs 36, 37 and 51 of this judgment, some of the items bearing L'Oréal's trade marks were sold, by sellers operating by means of eBay's marketplace, without packaging.

75 By its second to fourth questions, the referring court seeks, in essence, to ascertain whether the removal of the packaging of goods such as those at issue in the main proceedings infringes the exclusive right of the proprietor of the trade mark affixed to those goods, thus entitling the proprietor to oppose the resale of goods whose packaging has been so removed.

76 In view of the fact that the unboxed goods at issue in the main proceedings are, for the most part, cosmetics, the referring court requests that these questions be answered in the light of Article 6(1) of Directive 76/768, under which cosmetic products may be marketed only if the container and packaging mention, inter alia, the identity of the manufacturer or the person responsible for marketing the product, the composition of the product (content and list of ingredients), the use of the product (function and

particular precautions to be observed in use) and preservation of the product (date of minimum durability). In that regard, it seeks, in essence, to ascertain whether the proprietor of a trade mark may, by virtue of its exclusive right under Directive 89/104 or, in the case of a Community trade mark, under Regulation No 40/94, oppose the resale of products bearing that mark when those sales take place without the requirements of Article 6(1) of Directive 76/768 being met.

77 L'Oréal submits, as do the French, Polish and Portuguese Governments and the Commission, that, irrespective of whether or not there is an infringement of Directive 76/768, the packaging is an essential part of the image of perfumes and cosmetics. The proprietor of the trade mark affixed to those goods and to their packaging should, as a consequence, be able to oppose the resale of those goods in an unboxed state. By contrast, eBay argues that, in the perfumes and cosmetics sector, it is often the bottle or the product's container, and not the packaging, which conveys the image of prestige and luxury.

78 In the first place, having regard to the wide variety of perfumes and cosmetics, the question whether the removal of the packaging of such goods harms their image – and thus the reputation of the trade mark that they bear – must be examined on a case-by-case basis. As the Advocate General observed at points 71 to 74 of his Opinion, where perfumes or cosmetics are displayed without packaging, that may sometimes effectively convey the image of the product as a prestige or luxury product, whilst, in other cases, removing the packaging has precisely the effect of harming that image.

79 Such damage may occur when the packaging is as important as, or more important than, the bottle or the container in the presentation of the image of the product created by the trade mark proprietor and his authorised distributors. It may also be the case that the absence of some or all the information required by Article 6(1) of Directive 76/768 harms the product's image. It is for the trade mark proprietor to establish the existence of the constituent elements of such harm.

80 In the second place, a trade mark, the essential function of which is to provide the consumer with an assurance as to the identity of the product's origin, serves in particular to guarantee that all the goods bearing the mark have been manufactured or supplied under the control of a single undertaking which is responsible for their quality (see, *inter alia*, Case C-206/01 Arsenal Football Club [2002] ECR I-10273, paragraph 48, and Case C-59/08 Copad [2009] ECR I-3421, paragraph 45).

81 When certain information, which is required as a matter of law, such as information relating to the identity of the manufacturer or the person responsible for marketing the cosmetic product, is missing, the trade mark's function of indicating origin is impaired in that the mark is denied its essential function of guaranteeing that the goods that it designates are supplied under the control of a single undertaking which is responsible for their quality.

82 In the third and final place, as the Advocate General has observed at point 76 of his Opinion, the question whether or not the offer for sale, or the sale, of trade-marked goods without their packaging and thus without certain information required under Article 6(1) of Directive 76/768 is a criminal offence under national law does not affect the applicability of EU rules concerning intellectual property protection.

83 In view of the foregoing, the answer to the second to fourth questions is that Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark may, by virtue of the exclusive right conferred by the mark, oppose the resale of goods such as those at issue in the main proceedings, on the ground that the person reselling the goods has removed their packaging, where the consequence of that removal is that essential information, such as information relating to the identity of the manufacturer or the person responsible for marketing the cosmetic product, is missing. Where the removal of the packaging has not resulted in the absence of that information, the trade mark proprietor may nevertheless oppose the resale of an unboxed perfume or cosmetic product

bearing his trade mark, if he establishes that the removal of the packaging has damaged the image of the product and, hence, the reputation of the trade mark.

B – The fifth and sixth questions concerning the advertisement by the operator of an online marketplace of its website and the goods offered on it

84 It is clear from the facts in the main proceedings, summarised at paragraphs 39 to 42 of this judgment, that eBay, by selecting in the Google search engine keywords corresponding to L'Oréal trade marks, caused to appear, as soon as internet users performed a search including those words with that search engine, a sponsored link to the website www.ebay.co.uk, accompanied by a marketing message about the opportunity to buy, via that site, goods bearing the trade mark searched for. That advertising link appeared in the 'sponsored links' section, located on either the right-hand side, or on the upper part, of the screen showing the search results displayed by Google.

85 It is not disputed that, in such a situation, the operator of the online marketplace is an advertiser. The operator causes links and messages to be displayed which, as the Advocate General has stated in point 89 of his Opinion, advertise not only certain offers for sale on that marketplace but also that marketplace as such. The advertisements mentioned, from among other examples, by the referring court and set out at paragraphs 40 and 42 of this judgment are illustrative of that practice.

86 By its fifth and sixth questions, which it is appropriate to consider together, the referring court asks, in essence, whether, on a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent an online marketplace operator from advertising – on the basis of a keyword which is identical to his trade mark and which has been selected in an internet referencing service by the operator without the proprietor's consent – the marketplace and goods bearing that trade mark which are offered for sale on it.

87 With regard to internet advertising on the basis of keywords corresponding to trade marks, the Court has already held that a keyword is the means used by an advertiser to trigger the display of his advertisement and is therefore use 'in the course of trade' within the meaning of Article 5(1) of Directive 89/104 and Article 9 of Regulation No 40/94 (Joined Cases C-236/08 to C-238/08 *Google France and Google* [2010] ECR I-0000, paragraphs 51 and 52, and Case C-278/08 *BergSpechte* [2010] ECR I-0000, paragraph 18).

88 In order to determine whether advertising of that type also meets the other conditions which must, according to the rules set out in Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, be met if the trade mark proprietor is to be able to prevent it, it is necessary to consider whether (i) advertisements such as those displayed by eBay by means of a referencing service such as that provided by Google are in relation to goods or services identical with those for which the trade mark is registered and (ii) whether such advertisements have an adverse effect on one of the functions of the mark or are liable to have such an effect (*Bergspechte*, paragraph 21).

89 In that regard, the first point to make is that, in so far as eBay used keywords corresponding to L'Oréal trade marks to promote its own service of making an online marketplace available to sellers and buyers of products, that use was not made in relation to either (i) goods or services 'identical with those for which the trade mark is registered' within the meaning of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94 or (ii) goods or services similar to those for which the trade mark is registered within the meaning of paragraph 1(b) of those articles.

90 That use, by eBay, of signs corresponding to L'Oréal trade marks for the purpose of promoting its online marketplace will thus, at the very most, be open to examination on the basis of Article 5(2) of Directive 89/104 and Article 9(1)(c) of Regulation No 40/94, as those provisions establish, for trade marks with a reputation, more extensive protection than that provided for in Article 5(1)(a) or Article

9(1)(b) and cover, inter alia, the situation in which a third party uses signs corresponding to such trade marks in relation to goods or services which are not similar to the goods or services for which those marks are registered.

91 Next, in so far as eBay used keywords corresponding to L'Oréal trade marks to promote its customer-sellers' offers for sale of goods bearing those marks, that use related to goods or services identical with those for which those trade marks are registered. In that regard, the words 'in relation to goods or services' do not relate solely to the goods or services of a third party which is using signs corresponding to the trade marks but may also refer to the goods or services of other persons. The fact that an economic operator uses a sign corresponding to a trade mark in relation to goods which are not his own goods – in the sense that he does not have title to them – does not in itself prevent that use from falling within Article 5 of Directive 89/104 and Article 9 of Regulation 40/94 (see *Google France and Google*, paragraph 60, and the order in *Case C-62/08 UDV North America* [2009] ECR I-1279, paragraph 43).

92 With regard, specifically, to a situation in which the supplier of a service uses a sign corresponding to the trade mark of another person in order to promote goods which one of its customers is marketing with the assistance of that service, the Court considers such a use to fall within the scope of Article 5(1) of Directive 89/104 and Article 9(1) of Regulation No 40/94, where the use is such that a link is established between the sign and the service (see the order in *UDV North America*, paragraph 47 and the case-law cited).

93 As the Advocate General observed at point 89 of his Opinion and as was submitted by the French Government at the hearing, such a link exists in circumstances such as those of the case before the referring court. eBay's advertisements create an obvious association between the trade-marked goods which are mentioned in the advertisements and the possibility of buying those goods through eBay.

94 As regards, finally, whether the use of a keyword corresponding to a trade mark is liable to have an adverse effect on one of the functions of the trade mark, the Court has made clear in other cases that there is such an adverse effect where that advertising does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement originate from the proprietor of the trade mark or from an undertaking economically linked to it or, on the contrary, originate from a third party (*Google France and Google*, paragraph 99; and *Case C-558/08 Portakabin and Portakabin* [2010] ECR I-0000, paragraph 54).

95 It should be borne in mind in that regard that the need for transparency in the display of advertisements on the internet is emphasised in EU legislation on electronic commerce. Having regard to the interests of fair trading and consumer protection, Article 6 of Directive 2000/31 lays down the rule that the natural or legal person on whose behalf a commercial communication which is part of an information society service is made must be clearly identifiable (*Google France and Google*, paragraph 86).

96 Advertising originating from the operator of an online marketplace and displayed by a search engine operator must thus, in any event, disclose both the identity of the online-marketplace operator and the fact that the trade-marked goods advertised are being sold through the marketplace that it operates.

97 In view of the foregoing, the answer to the fifth and sixth questions is that, on a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent an online marketplace operator from advertising – on the basis of a keyword which is identical to his trade mark and which has been selected in an internet referencing service by that operator – goods bearing that trade mark which are offered for sale on the marketplace, where that advertising does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods concerned originate from the proprietor

of the trade mark or from an undertaking economically linked to that proprietor or, on the contrary, originate from a third party.

C – The eighth question concerning the use of signs corresponding to trade marks in offers for sale displayed on the website of an operator of an online marketplace

98 By its eighth question, the referring court asks, in substance, how the display, on the website of the operator of an online marketplace, of signs identical with or similar to trade marks is to be regarded in the light of Directive 89/104 and Regulation No 40/94.

99 In that regard, it is first necessary to point out that, where sales are made through online marketplaces, the service provided by the operator of the marketplace includes the display, for its customer-sellers, of offers for sale originating from the latter.

100 Next, when such offers relate to trade-marked goods, signs identical with or similar to trade marks will inevitably be displayed on the website of the operator of the online marketplace.

101 Although it is true that, in those circumstances, those signs are ‘used’ on that site, it is none the less not evident that it is the operator of the online marketplace that is ‘using’ them, within the meaning of Directive 89/104 and Regulation No 40/94.

102 If a sign identical with, or similar to, the proprietor’s trade mark is to be ‘used’, within the meaning of Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94, by a third party, that implies, at the very least, that that third party uses the sign in its own commercial communication. In so far as that third party provides a service consisting in enabling its customers to display on its website, in the course of their commercial activities such as their offers for sale, signs corresponding to trade marks, it does not itself use those signs within the meaning of that EU legislation (see, to that effect, *Google France and Google*, paragraphs 56 and 57).

103 As was stated, inter alia by the United Kingdom Government and the Commission at the hearing and by the Advocate General at points 119 and 120 of his Opinion, it follows that the use of signs identical with or similar to trade marks in offers for sale displayed on an online marketplace is made by the sellers who are customers of the operator of that marketplace and not by that operator itself.

104 Inasmuch as it enables that use to be made by its customers, the role of the online marketplace operator cannot be assessed under Directive 89/104 or Regulation No 40/94, but must be examined from the point of view of other rules of law, such as those set out in Directive 2000/31, in particular in Section 4 of Chapter II, which concerns the ‘liability of intermediary service providers’ in electronic commerce and comprises Articles 12 to 15 of that directive (see, by analogy, *Google France and Google*, paragraph 57).

105 In view of the foregoing, the answer to the eighth question is that the operator of an online marketplace does not ‘use’ – for the purposes of Article 5 of Directive 89/104 or Article 9 of Regulation No 40/94 – signs identical with or similar to trade marks which appear in offers for sale displayed on its site.

D – The ninth question concerning the liability of the operator of an online marketplace

106 By its ninth question, the referring court asks, in essence,

– whether the service provided by the operator of an online marketplace is covered by Article 14(1) of Directive 2000/31 (hosting), and, if so,

– in what circumstances it may be concluded that the operator of an online marketplace has ‘awareness’ within the meaning of Article 14(1) of Directive 2000/31.

1. Hosting, by the operator of an online marketplace, of information provided by the sellers that are its customers

107 As the Court has already held, Articles 12 to 15 of Directive 2000/31 seek to restrict the situations in which intermediary providers of information society services may be held liable pursuant to the applicable national law. It is therefore in the context of national law that the conditions under which such liability arises must be sought, it being understood, however, that, by virtue of Articles 12 to 15 of Directive 2000/31, certain situations cannot give rise to liability on the part of intermediary service providers (Google France and Google, paragraph 107).

108 Although it is thus for the referring court to determine the conditions under which liability such as that raised by L'Oréal against eBay arises, it is for the Court to consider whether the operator of an online marketplace may rely on the exemption from liability provided for by Directive 2000/31.

109 As has been pointed out by, inter alia, the United Kingdom Government, the Polish Government and the Commission, as well as by the Advocate General at paragraph 134 of his Opinion, an internet service consisting in facilitating relations between sellers and buyers of goods is, in principle, a service for the purposes of Directive 2000/31. That directive concerns, as its title suggests, 'information society services, in particular electronic commerce'. It is apparent from the definition of 'information society service', cited at paragraphs 8 and 9 of this judgment, that that concept encompasses services provided at a distance by means of electronic equipment for the processing and storage of data, at the individual request of a recipient of services and, normally, for remuneration. It is clear that the operation of an online marketplace can bring all those elements into play.

110 With regard to the online marketplace at issue in the main proceedings, it is not disputed that eBay stores, that is to say, holds in its server's memory, data supplied by its customers. That storage operation is carried out by eBay each time that a customer opens a selling account with it and provides it with data concerning its offers for sale. Furthermore, eBay normally receives remuneration inasmuch as it charges a percentage on transactions completed on the basis of those offers for sale.

111 However, the fact that the service provided by the operator of an online marketplace includes the storage of information transmitted to it by its customer-sellers is not in itself a sufficient ground for concluding that that service falls, in all situations, within the scope of Article 14(1) of Directive 2000/31. That provision must, in fact, be interpreted in the light not only of its wording but also of the context in which it occurs and the objectives pursued by the rules of which it is part (see, by analogy, Case C-298/07 Bundesverband der Verbraucherzentralen und Verbraucherverbände [2008] ECR I-7841, paragraph 15 and the case-law cited).

112 In that regard, the Court has already stated that, in order for an internet service provider to fall within the scope of Article 14 of Directive 2000/31, it is essential that the provider be an intermediary provider within the meaning intended by the legislature in the context of Section 4 of Chapter II of that directive (see Google France and Google, paragraph 112).

113 That is not the case where the service provider, instead of confining itself to providing that service neutrally by a merely technical and automatic processing of the data provided by its customers, plays an active role of such a kind as to give it knowledge of, or control over, those data (Google France and Google, paragraphs 114 and 120).

114 It is clear from the documents before the Court and from the description at paragraphs 28 to 31 of this judgment that eBay processes the data entered by its customer-sellers. The sales in which the offers may result take place in accordance with terms set by eBay. In some cases, eBay also provides assistance intended to optimise or promote certain offers for sale.

115 As the United Kingdom Government has rightly observed, the mere fact that the operator of an online marketplace stores offers for sale on its server, sets the terms of its service, is remunerated for that service and provides general information to its customers cannot have the effect of denying it the exemptions from liability provided for by Directive 2000/31 (see, by analogy, *Google France and Google*, paragraph 116).

116 Where, by contrast, the operator has provided assistance which entails, in particular, optimising the presentation of the offers for sale in question or promoting those offers, it must be considered not to have taken a neutral position between the customer-seller concerned and potential buyers but to have played an active role of such a kind as to give it knowledge of, or control over, the data relating to those offers for sale. It cannot then rely, in the case of those data, on the exemption from liability referred to in Article 14(1) of Directive 2000/31.

117 It is for the referring court to examine whether eBay played a role such as that described in the preceding paragraph in relation to the offers for sale at issue in the case before it.

2. The possession, by the operator of the online marketplace, of ‘awareness’

118 Should the referring court conclude that eBay has not acted in the way described in paragraph 116 of this judgment, it will be for it to ascertain whether, in the circumstances of the case before it, eBay has met the conditions to which entitlement to the exemption from liability is subject under points (a) and (b) of Article 14(1) of Directive 2000/31 (see, by analogy, *Google France and Google*, paragraph 120).

119 In situations in which that provider has confined itself to a merely technical and automatic processing of data and in which, as a consequence, the rule stated in Article 14(1) of Directive 2000/31 applies to it, it may none the less only be exempt, under paragraph 1, from any liability for unlawful data that it has stored on condition that it has not had ‘actual knowledge of illegal activity or information’ and, as regards claims for damages, has not been ‘aware of facts or circumstances from which the illegal activity or information is apparent’ or that, having obtained such knowledge or awareness, it has acted expeditiously to remove, or disable access to, the information.

120 As the case in the main proceedings may result in an order to pay damages, it is for the referring court to consider whether eBay has, in relation to the offers for sale at issue and to the extent that the latter have infringed L’Oréal’s trade marks, been ‘aware of facts or circumstances from which the illegal activity or information is apparent’. In the last-mentioned respect, it is sufficient, in order for the provider of an information society service to be denied entitlement to the exemption from liability provided for in Article 14 of Directive 2000/31, for it to have been aware of facts or circumstances on the basis of which a diligent economic operator should have identified the illegality in question and acted in accordance with Article 14(1)(b) of Directive 2000/31.

121 Moreover, if the rules set out in Article 14(1)(a) of Directive 2000/31 are not to be rendered redundant, they must be interpreted as covering every situation in which the provider concerned becomes aware, in one way or another, of such facts or circumstances.

122 The situations thus covered include, in particular, that in which the operator of an online marketplace uncovers, as the result of an investigation undertaken on its own initiative, an illegal activity or illegal information, as well as a situation in which the operator is notified of the existence of such an activity or such information. In the second case, although such a notification admittedly cannot automatically preclude the exemption from liability provided for in Article 14 of Directive 2000/31, given that notifications of allegedly illegal activities or information may turn out to be insufficiently precise or inadequately substantiated, the fact remains that such notification represents, as a general rule, a factor of which the national court must take account when determining, in the light of the information so transmitted to the operator, whether the latter was actually aware of facts or circumstances on the basis of which a diligent economic operator should have identified the illegality.

123 In view of the foregoing, the answer to the ninth question is that Article 14(1) of Directive 2000/31 must be interpreted as applying to the operator of an online marketplace where that operator has not played an active role allowing it to have knowledge or control of the data stored. The operator plays such a role when it provides assistance which entails, in particular, optimising the presentation of the offers for sale in question or promoting them.

124 Where the operator of the online marketplace has not played an active role within the meaning of the preceding paragraph and the service provided falls, as a consequence, within the scope of Article 14(1) of Directive 2000/31, the operator none the less cannot, in a case which may result in an order to pay damages, rely on the exemption from liability provided for in that provision if it was aware of facts or circumstances on the basis of which a diligent economic operator should have realised that the offers for sale in question were unlawful and, in the event of it being so aware, failed to act expeditiously in accordance with Article 14(1)(b) of Directive 2000/31.

E – The tenth question relating to injunctions against the operator of the online marketplace

125 By its tenth question, the referring court asks, in essence,

- whether Article 11 of Directive 2004/48 requires the Member States to afford proprietors of intellectual property rights the right to obtain against the operator of a website, such as the operator of an online marketplace by means of which their rights have been infringed, injunctions requiring the operator to take measures to prevent future infringements of those rights, and, if so,
- what those measures might be.

126 eBay submits that an injunction within the meaning of Article 11 of Directive 2004/48 may relate only to specific and clearly identified infringements of an intellectual property right. L'Oréal, the United Kingdom Government, the French, Italian, Polish and Portuguese Governments and the Commission argue that the injunctions covered by that directive may also deal with the prevention of future infringements, provided that certain limits are observed.

127 As it results from the order for reference, the question referred concerns, in particular, the third sentence of Article 11 of Directive 2004/48, according to which the Member States must ensure 'that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right ...'. It involves determining whether that provision requires the Member States to ensure that the operator of an online marketplace may, regardless of any liability of its own in relation to the facts at issue, be ordered to take, in addition to measures aimed at bringing to an end infringements of intellectual property rights brought about by users of its services, measures aimed at preventing further infringements of that kind.

1. The obligation of the Member States to ensure that their courts have jurisdiction to order online service providers to take measures to prevent future infringements of intellectual property

128 For the purpose of determining whether the injunctions referred to in the third sentence of Article 11 of Directive 2004/48 also have as their object the prevention of further infringements, it should first be stated that the use of the word 'injunction' in the third sentence of Article 11 differs considerably from the use, in the first sentence thereof, of the words 'injunction aimed at prohibiting the continuation of the infringement', the latter describing injunctions which may be obtained against infringers of an intellectual property right.

129 As the Polish Government in particular observed, that difference can be explained by the fact that an injunction against an infringer entails, logically, preventing that person from continuing the infringement, whilst the situation of the service provider by means of which the infringement is committed is more complex and lends itself to other kinds of injunctions.

130 For that reason, an ‘injunction’ as referred to in the third sentence of Article 11 of Directive 2004/48 cannot be equated with an ‘injunction aimed at prohibiting the continuation of the infringement’ as referred to in the first sentence of Article 11.

131 Next, it must be stated that, in view of the objective pursued by Directive 2004/48, which is that the Member States should ensure, especially in the information society, effective protection of intellectual property (see, to that effect, Case C-275/06 *Promusicae* [2008] ECR I-271, paragraph 43), the jurisdiction conferred, in accordance with the third sentence of Article 11 of the directive, on national courts must allow them to order an online service provider, such as a provider making an online marketplace available to internet users, to take measures that contribute not only to bringing to an end infringements committed through that marketplace, but also to preventing further infringements.

132 That interpretation is borne out by Article 18 of Directive 2000/31, which requires the Member States to ensure that court actions available under their national law concerning information society services’ activities allow for the rapid adoption of measures designed to terminate any alleged infringement and to prevent any further impairment of the interests involved.

133 An interpretation of the third sentence of Article 11 of Directive 2004/48 whereby the obligation that it imposes on the Member States would entail no more than granting intellectual-property rightholders the right to obtain, against providers of online services, injunctions aimed at bringing to an end infringements of their rights, would narrow the scope of the obligation set out in Article 18 of Directive 2000/31, which would be contrary to the rule laid down in Article 2(3) of Directive 2004/48, according to which Directive 2004/48 is not to affect Directive 2000/31.

134 Finally, a restrictive interpretation of the third sentence of Article 11 of Directive 2004/48 cannot be reconciled with recital 24 in the preamble to the directive, which states that, depending on the particular case, and if justified by the circumstances, measures aimed at preventing further infringements of intellectual property rights must be provided for.

2. Measures imposed on online service providers

135 As is clear from recital 23 to Directive 2004/48, the rules for the operation of the injunctions for which the Member States must provide under the third sentence of Article 11 of the directive, such as those relating to the conditions to be met and to the procedure to be followed, are a matter for national law.

136 Those rules of national law must, however, be designed in such a way that the objective pursued by the directive may be achieved (see, *inter alia*, in relation to the principle of effectiveness, Joined Cases C-430/93 and C-431/93 *Van Schijndel and van Veen* [1995] ECR I-4705, paragraph 17; Joined Cases C-222/05 to C-225/05 *van der Weerd and Others* [2007] ECR I-4233, paragraph 28, and Joined Cases C-145/08 and C-149/08 *Club Hotel Loutraki and Others* [2010] ECR I-0000, paragraph 74). In that regard, it should be borne in mind that, under Article 3(2) of Directive 2004/48, the measures concerned must be effective and dissuasive.

137 Moreover, in view of the fact, stated in the order for reference and referred to at paragraph 24 of this judgment, that the United Kingdom has not adopted specific rules to implement the third sentence of Article 11 of Directive 2004/48, the referring court will, when applying national law, be required to do so, as far as possible, in the light of the wording and the purpose the third sentence of Article 11 (see, by analogy, Case C-106/89 *Marleasing* [1990] ECR I-4135, paragraph 8, Joined Cases C-378/07 to C-380/07 *Angelidaki and Others* [2009] ECR I-3071, paragraph 106).

138 The rules laid down by the Member States, and likewise their application by the national courts, must also observe the limitations arising from Directive 2004/48 and from the sources of law to which that directive refers.

139 First, it follows from Article 15(1) of Directive 2000/31, in conjunction with Article 2(3) of Directive 2004/48, that the measures required of the online service provider concerned cannot consist in an active monitoring of all the data of each of its customers in order to prevent any future infringement of intellectual property rights via that provider's website. Furthermore, a general monitoring obligation would be incompatible with Article 3 of Directive 2004/48, which states that the measures referred to by the directive must be fair and proportionate and must not be excessively costly.

140 Second, as is also clear from Article 3 of Directive 2004/48, the court issuing the injunction must ensure that the measures laid down do not create barriers to legitimate trade. That implies that, in a case such as that before the referring court, which concerns possible infringements of trade marks in the context of a service provided by the operator of an online marketplace, the injunction obtained against that operator cannot have as its object or effect a general and permanent prohibition on the selling, on that marketplace, of goods bearing those trade marks.

141 Despite the limitations described in the preceding paragraphs, injunctions which are both effective and proportionate may be issued against providers such as operators of online marketplaces. As the Advocate General stated at point 182 of his Opinion, if the operator of the online marketplace does not decide, on its own initiative, to suspend the perpetrator of the infringement of intellectual property rights in order to prevent further infringements of that kind by the same seller in respect of the same trade marks, it may be ordered, by means of an injunction, to do so.

142 Furthermore, in order to ensure that there is a right to an effective remedy against persons who have used an online service to infringe intellectual property rights, the operator of an online marketplace may be ordered to take measures to make it easier to identify its customer-sellers. In that regard, as L'Oréal has rightly submitted in its written observations and as follows from Article 6 of Directive 2000/31, although it is certainly necessary to respect the protection of personal data, the fact remains that when the infringer is operating in the course of trade and not in a private matter, that person must be clearly identifiable.

143 The measures that are described (non-exhaustively) in the preceding paragraphs, as well as any other measure which may be imposed in the form of an injunction under the third sentence of Article 11 of Directive 2004/48, must strike a fair balance between the various rights and interests mentioned above (see, by analogy, *Promusicae*, paragraphs 65 to 68).

144 In view of the foregoing, the answer to the tenth question is that the third sentence of Article 11 of Directive 2004/48 must be interpreted as requiring the Member States to ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the operator of an online marketplace to take measures which contribute, not only to bringing to an end infringements of those rights by users of that marketplace, but also to preventing further infringements of that kind. Those injunctions must be effective, proportionate, dissuasive and must not create barriers to legitimate trade.

IV – Costs

145 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Grand Chamber) hereby rules:

1. Where goods located in a third State, which bear a trade mark registered in a Member State of the European Union or a Community trade mark and have not previously been put on the market in the European Economic Area or, in the case of a Community trade mark, in the European Union, (i) are sold by an economic operator on an online marketplace without the consent of the trade mark proprietor to a consumer located in the territory covered by the trade mark or (ii) are offered for sale or advertised on such a marketplace targeted at consumers located in that territory, the trade mark proprietor may prevent that sale, offer for sale or advertising by virtue of the rules set out in Article 5 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, as amended by the Agreement on the European Economic Area of 2 May 1992, or in Article 9 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark. It is the task of the national courts to assess on a case-by-case basis whether relevant factors exist, on the basis of which it may be concluded that an offer for sale or an advertisement displayed on an online marketplace accessible from the territory covered by the trade mark is targeted at consumers in that territory.
2. Where the proprietor of a trade mark supplies to its authorised distributors items bearing that mark, intended for demonstration to consumers in authorised retail outlets, and bottles bearing the mark from which small quantities can be taken for supply to consumers as free samples, those goods, in the absence of any evidence to the contrary, are not put on the market within the meaning of Directive 89/104 and Regulation No 40/94.
3. Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94 must be interpreted as meaning that the proprietor of a trade mark may, by virtue of the exclusive right conferred by the mark, oppose the resale of goods such as those at issue in the main proceedings, on the ground that the person reselling the goods has removed their packaging, where the consequence of that removal is that essential information, such as information relating to the identity of the manufacturer or the person responsible for marketing the cosmetic product, is missing. Where the removal of the packaging has not resulted in the absence of that information, the trade mark proprietor may nevertheless oppose the resale of an unboxed perfume or cosmetic product bearing his trade mark, if he establishes that the removal of the packaging has damaged the image of the product and, hence, the reputation of the trade mark.
4. On a proper construction of Article 5(1)(a) of Directive 89/104 and Article 9(1)(a) of Regulation No 40/94, the proprietor of a trade mark is entitled to prevent an online marketplace operator from advertising – on the basis of a keyword which is identical to his trade mark and which has been selected in an internet referencing service by that operator – goods bearing that trade mark which are offered for sale on the marketplace, where the advertising does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods concerned originate from the proprietor of the trade mark or from an undertaking economically linked to that proprietor or, on the contrary, originate from a third party.
5. The operator of an online marketplace does not ‘use’ – for the purposes of Article 5 of Directive 89/104 or Article 9 of Regulation No 40/94 – signs identical with or similar to trade marks which appear in offers for sale displayed on its site.
6. Article 14(1) of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (‘Directive on electronic commerce’) must be interpreted as applying to the operator of an online marketplace where that operator has not played an active role allowing it to have knowledge or control of the data stored.

The operator plays such a role when it provides assistance which entails, in particular, optimising the presentation of the offers for sale in question or promoting them.

Where the operator of the online marketplace has not played an active role within the meaning of the preceding paragraph and the service provided falls, as a consequence, within the scope of Article 14(1) of Directive 2000/31, the operator none the less cannot, in a case which may result in an order to pay damages, rely on the exemption from liability provided for in that provision if it was aware of facts or circumstances on the basis of which a diligent economic operator should have realised that the offers for sale in question were unlawful and, in the event of it being so aware, failed to act expeditiously in accordance with Article 14(1)(b) of Directive 2000/31.

7. The third sentence of Article 11 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights must be interpreted as requiring the Member States to ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the operator of an online marketplace to take measures which contribute, not only to bringing to an end infringements of those rights by users of that marketplace, but also to preventing further infringements of that kind. Those injunctions must be effective, proportionate, and dissuasive and must not create barriers to legitimate trade.

DIRECTIVE 2006/24/EC

of the European Parliament and of the Council of 15 March 2006 on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks and amending Directive 2002/58/EC

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Economic and Social Committee [1],

Acting in accordance with the procedure laid down in Article 251 of the Treaty [2],

Whereas:

(1) Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data [3] requires Member States to protect the rights and freedoms of natural persons with regard to the processing of personal data, and in particular their right to privacy, in order to ensure the free flow of personal data in the Community.

(2) Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications) [4] translates the principles set out in Directive 95/46/EC into specific rules for the electronic communications sector.

(3) Articles 5, 6 and 9 of Directive 2002/58/EC lay down the rules applicable to the processing by network and service providers of traffic and location data generated by using electronic communications services. Such data must be erased or made anonymous when no longer needed for the purpose of the transmission of a communication, except for the data necessary for billing or interconnection payments. Subject to consent, certain data may also be processed for marketing purposes and the provision of value-added services.

(4) Article 15(1) of Directive 2002/58/EC sets out the conditions under which Member States may restrict the scope of the rights and obligations provided for in Article 5, Article 6, Article 8(1), (2), (3) and (4), and Article 9 of that Directive. Any such restrictions must be necessary, appropriate and proportionate within a democratic society for specific public order purposes, i.e. to safeguard national security (i.e. State security), defence, public security or the prevention, investigation, detection and prosecution of criminal offences or of unauthorised use of the electronic communications systems.

(5) Several Member States have adopted legislation providing for the retention of data by service providers for the prevention, investigation, detection, and prosecution of criminal offences. Those national provisions vary considerably.

(6) The legal and technical differences between national provisions concerning the retention of data for the purpose of prevention, investigation, detection and prosecution of criminal offences present obstacles to the internal market for electronic communications, since service providers are faced with different requirements regarding the types of traffic and location data to be retained and the conditions and periods of retention.

(7) The Conclusions of the Justice and Home Affairs Council of 19 December 2002 underline that, because of the significant growth in the possibilities afforded by electronic communications, data relating to the use of electronic communications are particularly important and therefore a valuable tool in the prevention, investigation, detection and prosecution of criminal offences, in particular organised crime.

(8) The Declaration on Combating Terrorism adopted by the European Council on 25 March 2004 instructed the Council to examine measures for establishing rules on the retention of communications traffic data by service providers.

(9) Under Article 8 of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR), everyone has the right to respect for his private life and his correspondence. Public authorities may interfere with the exercise of that right only in accordance with the law and where necessary in a democratic society, inter alia, in the interests of national security or public safety, for the prevention of disorder or crime, or for the protection of the rights and freedoms of others. Because retention of data has proved to be such a necessary and effective investigative tool for law enforcement in several Member States, and in particular concerning serious matters such as organised crime and terrorism, it is necessary to ensure that retained data are made available to law enforcement authorities for a certain period, subject to the conditions provided for in this Directive. The adoption of an instrument on data retention that complies with the requirements of Article 8 of the ECHR is therefore a necessary measure.

(10) On 13 July 2005, the Council reaffirmed in its declaration condemning the terrorist attacks on London the need to adopt common measures on the retention of telecommunications data as soon as possible.

(11) Given the importance of traffic and location data for the investigation, detection, and prosecution of criminal offences, as demonstrated by research and the practical experience of several Member States, there is a need to ensure at European level that data that are generated or processed, in the course of the supply of communications services, by providers of publicly available electronic communications services or of a public communications network are retained for a certain period, subject to the conditions provided for in this Directive.

(12) Article 15(1) of Directive 2002/58/EC continues to apply to data, including data relating to unsuccessful call attempts, the retention of which is not specifically required under this Directive and which therefore fall outside the scope thereof, and to retention for purposes, including judicial purposes, other than those covered by this Directive.

(13) This Directive relates only to data generated or processed as a consequence of a communication or a communication service and does not relate to data that are the content of the information communicated. Data should be retained in such a way as to avoid their being retained more than once. Data generated or processed when supplying the communications services concerned refers to data which are accessible. In particular, as regards the retention of data relating to Internet e-mail and Internet telephony, the obligation to retain data may apply only in respect of data from the providers' or the network providers' own services.

(14) Technologies relating to electronic communications are changing rapidly and the legitimate requirements of the competent authorities may evolve. In order to obtain advice and encourage the sharing of experience of best practice in these matters, the Commission intends to establish a group composed of Member States' law enforcement authorities, associations of the electronic communications industry, representatives of the European Parliament and data protection authorities, including the European Data Protection Supervisor.

(15) Directive 95/46/EC and Directive 2002/58/EC are fully applicable to the data retained in accordance with this Directive. Article 30(1)(c) of Directive 95/46/EC requires the consultation of the Working Party

on the Protection of Individuals with regard to the Processing of Personal Data established under Article 29 of that Directive.

(16) The obligations incumbent on service providers concerning measures to ensure data quality, which derive from Article 6 of Directive 95/46/EC, and their obligations concerning measures to ensure confidentiality and security of processing of data, which derive from Articles 16 and 17 of that Directive, apply in full to data being retained within the meaning of this Directive.

(17) It is essential that Member States adopt legislative measures to ensure that data retained under this Directive are provided to the competent national authorities only in accordance with national legislation in full respect of the fundamental rights of the persons concerned.

(18) In this context, Article 24 of Directive 95/46/EC imposes an obligation on Member States to lay down sanctions for infringements of the provisions adopted pursuant to that Directive. Article 15(2) of Directive 2002/58/EC imposes the same requirement in relation to national provisions adopted pursuant to Directive 2002/58/EC. Council Framework Decision 2005/222/JHA of 24 February 2005 on attacks against information systems [5] provides that the intentional illegal access to information systems, including to data retained therein, is to be made punishable as a criminal offence.

(19) The right of any person who has suffered damage as a result of an unlawful processing operation or of any act incompatible with national provisions adopted pursuant to Directive 95/46/EC to receive compensation, which derives from Article 23 of that Directive, applies also in relation to the unlawful processing of any personal data pursuant to this Directive.

(20) The 2001 Council of Europe Convention on Cybercrime and the 1981 Council of Europe Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data also cover data being retained within the meaning of this Directive.

(21) Since the objectives of this Directive, namely to harmonise the obligations on providers to retain certain data and to ensure that those data are available for the purpose of the investigation, detection and prosecution of serious crime, as defined by each Member State in its national law, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale and effects of this Directive, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.

(22) This Directive respects the fundamental rights and observes the principles recognised, in particular, by the Charter of Fundamental Rights of the European Union. In particular, this Directive, together with Directive 2002/58/EC, seeks to ensure full compliance with citizens' fundamental rights to respect for private life and communications and to the protection of their personal data, as enshrined in Articles 7 and 8 of the Charter.

(23) Given that the obligations on providers of electronic communications services should be proportionate, this Directive requires that they retain only such data as are generated or processed in the process of supplying their communications services. To the extent that such data are not generated or processed by those providers, there is no obligation to retain them. This Directive is not intended to harmonise the technology for retaining data, the choice of which is a matter to be resolved at national level.

(24) In accordance with paragraph 34 of the Interinstitutional agreement on better law-making [6], Member States are encouraged to draw up, for themselves and in the interests of the Community, their own tables illustrating, as far as possible, the correlation between this Directive and the transposition measures, and to make them public.

(25) This Directive is without prejudice to the power of Member States to adopt legislative measures concerning the right of access to, and use of, data by national authorities, as designated by them. Issues of access to data retained pursuant to this Directive by national authorities for such activities as are referred to in the first indent of Article 3(2) of Directive 95/46/EC fall outside the scope of Community law. However, they may be subject to national law or action pursuant to Title VI of the Treaty on European Union. Such laws or action must fully respect fundamental rights as they result from the common constitutional traditions of the Member States and as guaranteed by the ECHR. Under Article 8 of the ECHR, as interpreted by the European Court of Human Rights, interference by public authorities with privacy rights must meet the requirements of necessity and proportionality and must therefore serve specified, explicit and legitimate purposes and be exercised in a manner that is adequate, relevant and not excessive in relation to the purpose of the interference,

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Subject matter and scope

1. This Directive aims to harmonise Member States' provisions concerning the obligations of the providers of publicly available electronic communications services or of public communications networks with respect to the retention of certain data which are generated or processed by them, in order to ensure that the data are available for the purpose of the investigation, detection and prosecution of serious crime, as defined by each Member State in its national law.

2. This Directive shall apply to traffic and location data on both legal entities and natural persons and to the related data necessary to identify the subscriber or registered user. It shall not apply to the content of electronic communications, including information consulted using an electronic communications network.

Article 2

Definitions

1. For the purpose of this Directive, the definitions in Directive 95/46/EC, in Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive) [7], and in Directive 2002/58/EC shall apply.

2. For the purpose of this Directive:

(a) "data" means traffic data and location data and the related data necessary to identify the subscriber or user;

(b) "user" means any legal entity or natural person using a publicly available electronic communications service, for private or business purposes, without necessarily having subscribed to that service;

(c) "telephone service" means calls (including voice, voicemail and conference and data calls), supplementary services (including call forwarding and call transfer) and messaging and multi-media services (including short message services, enhanced media services and multi-media services);

(d) "user ID" means a unique identifier allocated to persons when they subscribe to or register with an Internet access service or Internet communications service;

(e) "cell ID" means the identity of the cell from which a mobile telephony call originated or in which it terminated;

(f) "unsuccessful call attempt" means a communication where a telephone call has been successfully connected but not answered or there has been a network management intervention.

Article 3

Obligation to retain data

1. By way of derogation from Articles 5, 6 and 9 of Directive 2002/58/EC, Member States shall adopt measures to ensure that the data specified in Article 5 of this Directive are retained in accordance with the provisions thereof, to the extent that those data are generated or processed by providers of publicly available electronic communications services or of a public communications network within their jurisdiction in the process of supplying the communications services concerned.

2. The obligation to retain data provided for in paragraph 1 shall include the retention of the data specified in Article 5 relating to unsuccessful call attempts where those data are generated or processed, and stored (as regards telephony data) or logged (as regards Internet data), by providers of publicly available electronic communications services or of a public communications network within the jurisdiction of the Member State concerned in the process of supplying the communication services concerned. This Directive shall not require data relating to unconnected calls to be retained.

Article 4

Access to data

Member States shall adopt measures to ensure that data retained in accordance with this Directive are provided only to the competent national authorities in specific cases and in accordance with national law. The procedures to be followed and the conditions to be fulfilled in order to gain access to retained data in accordance with necessity and proportionality requirements shall be defined by each Member State in its national law, subject to the relevant provisions of European Union law or public international law, and in particular the ECHR as interpreted by the European Court of Human Rights.

Article 5

Categories of data to be retained

1. Member States shall ensure that the following categories of data are retained under this Directive:

(a) data necessary to trace and identify the source of a communication:

(1) concerning fixed network telephony and mobile telephony:

(i) the calling telephone number;

(ii) the name and address of the subscriber or registered user;

(2) concerning Internet access, Internet e-mail and Internet telephony:

(i) the user ID(s) allocated;

(ii) the user ID and telephone number allocated to any communication entering the public telephone network;

(iii) the name and address of the subscriber or registered user to whom an Internet Protocol (IP) address, user ID or telephone number was allocated at the time of the communication;

(b) data necessary to identify the destination of a communication:

(1) concerning fixed network telephony and mobile telephony:

(i) the number(s) dialled (the telephone number(s) called), and, in cases involving supplementary services such as call forwarding or call transfer, the number or numbers to which the call is routed;

(ii) the name(s) and address(es) of the subscriber(s) or registered user(s);

(2) concerning Internet e-mail and Internet telephony:

(i) the user ID or telephone number of the intended recipient(s) of an Internet telephony call;

(ii) the name(s) and address(es) of the subscriber(s) or registered user(s) and user ID of the intended recipient of the communication;

(c) data necessary to identify the date, time and duration of a communication:

(1) concerning fixed network telephony and mobile telephony, the date and time of the start and end of the communication;

(2) concerning Internet access, Internet e-mail and Internet telephony:

(i) the date and time of the log-in and log-off of the Internet access service, based on a certain time zone, together with the IP address, whether dynamic or static, allocated by the Internet access service provider to a communication, and the user ID of the subscriber or registered user;

(ii) the date and time of the log-in and log-off of the Internet e-mail service or Internet telephony service, based on a certain time zone;

(d) data necessary to identify the type of communication:

(1) concerning fixed network telephony and mobile telephony: the telephone service used;

(2) concerning Internet e-mail and Internet telephony: the Internet service used;

(e) data necessary to identify users' communication equipment or what purports to be their equipment:

(1) concerning fixed network telephony, the calling and called telephone numbers;

(2) concerning mobile telephony:

(i) the calling and called telephone numbers;

(ii) the International Mobile Subscriber Identity (IMSI) of the calling party;

(iii) the International Mobile Equipment Identity (IMEI) of the calling party;

(iv) the IMSI of the called party;

(v) the IMEI of the called party;

(vi) in the case of pre-paid anonymous services, the date and time of the initial activation of the service and the location label (Cell ID) from which the service was activated;

(3) concerning Internet access, Internet e-mail and Internet telephony:

(i) the calling telephone number for dial-up access;

(ii) the digital subscriber line (DSL) or other end point of the originator of the communication;

(f) data necessary to identify the location of mobile communication equipment:

(1) the location label (Cell ID) at the start of the communication;

(2) data identifying the geographic location of cells by reference to their location labels (Cell ID) during the period for which communications data are retained.

2. No data revealing the content of the communication may be retained pursuant to this Directive.

Article 6

Periods of retention

Member States shall ensure that the categories of data specified in Article 5 are retained for periods of not less than six months and not more than two years from the date of the communication.

Article 7

Data protection and data security

Without prejudice to the provisions adopted pursuant to Directive 95/46/EC and Directive 2002/58/EC, each Member State shall ensure that providers of publicly available electronic communications services or of a public communications network respect, as a minimum, the following data security principles with respect to data retained in accordance with this Directive:

(a) the retained data shall be of the same quality and subject to the same security and protection as those data on the network;

(b) the data shall be subject to appropriate technical and organisational measures to protect the data against accidental or unlawful destruction, accidental loss or alteration, or unauthorised or unlawful storage, processing, access or disclosure;

(c) the data shall be subject to appropriate technical and organisational measures to ensure that they can be accessed by specially authorised personnel only;

and

(d) the data, except those that have been accessed and preserved, shall be destroyed at the end of the period of retention.

Article 8

Storage requirements for retained data

Member States shall ensure that the data specified in Article 5 are retained in accordance with this Directive in such a way that the data retained and any other necessary information relating to such data can be transmitted upon request to the competent authorities without undue delay.

Article 9

Supervisory authority

1. Each Member State shall designate one or more public authorities to be responsible for monitoring the application within its territory of the provisions adopted by the Member States pursuant to Article 7 regarding the security of the stored data. Those authorities may be the same authorities as those referred to in Article 28 of Directive 95/46/EC.

2. The authorities referred to in paragraph 1 shall act with complete independence in carrying out the monitoring referred to in that paragraph.

Article 10

Statistics

1. Member States shall ensure that the Commission is provided on a yearly basis with statistics on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or a public communications network. Such statistics shall include:

- the cases in which information was provided to the competent authorities in accordance with applicable national law,
- the time elapsed between the date on which the data were retained and the date on which the competent authority requested the transmission of the data,
- the cases where requests for data could not be met.

2. Such statistics shall not contain personal data.

Article 11

Amendment of Directive 2002/58/EC

The following paragraph shall be inserted in Article 15 of Directive 2002/58/EC:

"1a. Paragraph 1 shall not apply to data specifically required by Directive 2006/24/EC of the European Parliament and of the Council of 15 March 2006 on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks [] to be retained for the purposes referred to in Article 1(1) of that Directive.

Article 12

Future measures

1. A Member State facing particular circumstances that warrant an extension for a limited period of the maximum retention period referred to in Article 6 may take the necessary measures. That Member State shall immediately notify the Commission and inform the other Member States of the measures taken under this Article and shall state the grounds for introducing them.

2. The Commission shall, within a period of six months after the notification referred to in paragraph 1, approve or reject the national measures concerned, after having examined whether they are a means of arbitrary discrimination or a disguised restriction of trade between Member States and whether they constitute an obstacle to the functioning of the internal market. In the absence of a decision by the Commission within that period the national measures shall be deemed to have been approved.

3. Where, pursuant to paragraph 2, the national measures of a Member State derogating from the provisions of this Directive are approved, the Commission may consider whether to propose an amendment to this Directive.

Article 13

Remedies, liability and penalties

1. Each Member State shall take the necessary measures to ensure that the national measures implementing Chapter III of Directive 95/46/EC providing for judicial remedies, liability and sanctions are fully implemented with respect to the processing of data under this Directive.

2. Each Member State shall, in particular, take the necessary measures to ensure that any intentional access to, or transfer of, data retained in accordance with this Directive that is not permitted under national law adopted pursuant to this Directive is punishable by penalties, including administrative or criminal penalties, that are effective, proportionate and dissuasive.

Article 14

Evaluation

1. No later than 15 September 2010, the Commission shall submit to the European Parliament and the Council an evaluation of the application of this Directive and its impact on economic operators and consumers, taking into account further developments in electronic communications technology and the statistics provided to the Commission pursuant to Article 10 with a view to determining whether it is necessary to amend the provisions of this Directive, in particular with regard to the list of data in Article 5 and the periods of retention provided for in Article 6. The results of the evaluation shall be made public.

2. To that end, the Commission shall examine all observations communicated to it by the Member States or by the Working Party established under Article 29 of Directive 95/46/EC.

Article 15

Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by no later than 15 September 2007. They shall forthwith inform the Commission thereof. When Member States adopt those measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

3. Until 15 March 2009, each Member State may postpone application of this Directive to the retention of communications data relating to Internet Access, Internet telephony and Internet e-mail. Any Member State that intends to make use of this paragraph shall, upon adoption of this Directive, notify the Council and the Commission to that effect by way of a declaration. The declaration shall be published in the Official Journal of the European Union.

Article 16

Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Article 17

Addressees

This Directive is addressed to the Member States.

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Course Supplement

Editor Radim Polčák
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EVROPSKÁ UNIE



MINISTERSTVO ŠKOLSTVÍ,
MLÁDEŽE A TĚLOVÝCHOVY



OP Vzdělávání
pro konkurenceschopnost



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