The Amended Unfair Competition Prevention and Trade Secret Protection Act

- Rules of Domain Name Dispute Resolution -

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Abstract

On December 22, 2003, the Korean National Assembly passed an amendment to the Unfair Competition Prevention and Trade Secret Protection Act ("UCPA") for the prevention of domain name cybersquatting. Cybersquatting is generally defined as an act of reserving domain names which are identical or similar to other's trademarks for the purpose of reselling them to the legitimate owners. Cybersquatting produced a number of dusputes between trademark holders and domain name registrants. In Korea, courts have judged domain name-related disputes under the Trademark Act, the Unfair Competition Prevention Act, the Commercial Act or the Civil Act. However, no definitive legal grounds were provided or established by such Acts for the prevention of domain name cybersquatting. Thus, the recent UCPA amendments have been designed to establish substantive and definitive legal grounds for preventing domain name cybersquatting. The new Act adds the act of cybersquattimg as an act of unfair competition and provided the defimitiomn of "domain name." According to the amendments, "bad faith" is a key element for constituting cybersquatting. For the trademark holders, the amendments also allow a claim for the de-registration of domain name at issue for the eventual settlement of such dispute. The amended UCPA also provides for the claims for compensation of damages and recovery of credit as a remedy of domain name cybersquatting just as any other unfair competitive acts. However, The amended UCPA excludes criminal punishment from domain name cybersquatting unlike other claims for unfair competition. The amended UCPA took effect on July 21, 2004, and it is expected that the rights of the lawful right holder such as a trademark right holder will be efficiently protected in the cyberspace and fair trade will be established therein. However, considering that domain name related disputes are currently a concern, the re-examination of the Trademark Act and its practices should be conducted in order to deal with new issues in the future such as the key word service or Metatag.

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I. Introduction

On December 22, 2004, the Korean National Assembly passed an amendment[1] to the Unfair Competition Prevention and Trade Secret Protection Act ("UCPA") for the prevention of domain name cybersquatting.[2] In this article, I will discuss the background and the essential contents of the amended UCPA.

II. Disputes between a trademark and a domain name in general

Cybersquatting is defined as an act of reserving domain names which are identical or similar to other's trademarks for the purpose of reselling them to the legitimate owners. It is necessary to discuss the generalities and contexts of disputes between domain names and trademarks before introducing the recent amendments to the UCPA.

A. Reason for disputes between a trademark and a domain name

The reasons for the disputes between a trademark and a domain name are as follows: (i) the domain name[3] functions as a source identifier of goods or business in addition to its original function of providing an Internet address, (ii) the existing functions of a trademark and a domain name overlap with each other, and (iii) the registrant of a domain name registers or uses a third party's trademark as his own domain name in order to profit from the financial value associated with the trademark.

1) Although amendments to the UCPA extend to provisions relating to the enforcement of trade secrets, the prevention of imitation of shape, etc., I will only address the provision specifically directed to the prohibition of domain name cybersquatting.

2) The amended UCPA has been promulgated as Law No. 7095 on January 20, 2004 and will be effective within six months thereafter.

3) The Domain Name refers to the Internet address that allows users to have easier access to the Internet through a combination of alphabets, numbers and symbols.

B. Types of disputes between a trademark and a domain name

The types of disputes between a trademark and a domain name may vary and cannot be categorized in any simple way. However, such disputes may be categorized into the following three types depending upon the conduct of the domain name registrant:

- 1st type : Competing with a trademark holder by providing goods or services identical or similar to those of the trademark owner after registering a domain name identical or similar to a trademark of the trademark owner and establishing a website under such domain name;
- 2nd type : Establishing a website and providing completely different goods or services from those of a trademark owner, but using a domain name identical or similar to a trademark of the owner in connection with such website; however, the distinctiveness or value of the trademark holder's trademark becomes diluted even if the competitive relationship between the registrant and the trademark owner does not exist; and
- 3rd type : Registering domain name identical or similar to another trademark for the purpose of receiving certain amount of compensation for the sale of the domain name to the trademark owner; however, such domain name is not or subject to any actual usage (i.e., cybersquatting).

C. Dispute resolution between a trademark and a domain name

Disputes between a trademark and a domain name can be settled by judicial dispute resolution proceedings and non-judicial or administrative dispute resolution proceedings. Courts render decisions with regard to domain name-related disputes[4] based on the Trademark Act, the UCPA or the Commercial Code. Non-judicial dispute resolution proceedings are conducted through dispute-resolution service providers, and not through the courts. Four domain name dispute resolution

4) As of March, 2004, approximately 120 cases relating to domain name disputes (including the "chanel.co.kr" case) have been filed before the courts in Korea.

providers including the WIPO Arbitration and Mediation Center currently administer[5] the disputes relating to generic top level domain names such as ".com" under the UDRP.[6] The Domain Name Dispute Resolution Committee of Korea[7] which was established in January 2002, however, administers the ".kr" domain name disputes under the "Korean Domain Name Dispute Resolution Policy (KDRP)".

III. Amendments to the UCPA for the prevention of cybersquatting

A. Purpose

The purpose of amending the UCPA is to establish substantive legal grounds for the prevention of domain name cybersquatting in order to protect the rights of claimants such as trademark holders and to further regulate the cyberspace to enhance fair trade therein.

B. Background

Domain name cybersquatting may be characterized as an act of registering, owning, transferring and using a domain name, which is identical or similar to a third party's trademark, in bad faith to unfairly benefit from the goodwill associated with such mark. Although this type of conduct should be obviously prohibited, the existing laws did not provide definitive legal grounds for the prevention of domain name cybersquatting.

Courts have judged domain name-related disputes under the Trademark Act, the UCPA, the Commercial Act or the Civil Act. However, no definitive legal grounds were provided or established by such Acts for the prevention of domain name

5) As of September, 2003, the number of applications for domain name dispute resolution relating to the generic top-level domain names such as .com, .net, etc. is approximately 14,500.

6) The UDRP (Uniform Domain Name Dispute Resolution Policy) refers to the limitation of dispute resolution by court (excessive costs and extensive amount of time are required)

7) *http://www.ddrc.or.kr*

cybersquatting. Thus, the recent UCPA amendments have been designed to establish substantive and definitive legal grounds for preventing domain name cybersquatting. The limitations of preventing domain name cybersquatting under the previous laws are as follows:

1. Limitation under the Trademark Act

In order for an act to constitute trademark infringement under the Trademark Act, the act must be deemed as a "use of trademark" under Article 2, Paragraph ①, item (6) of the Trademark Act and an infringement under Article 66. Since it is difficult to consider a mere registration of a domain name as a "use of trademark" without its actual usage, such registration hardly qualifies as trademark infringement.

2. Limitation under the UCPA

In order for an act to cause consumer confusion as to "the source of goods and the subject of business" under Article 2, Paragraph ①, items (1) and (2) of the UCPA, the goods or services involved would have to be similar or identical with those of the trademark holder. Thus, there is a limitation in applying the above provision to the act of selling a domain name to the trademark holder without its usage. Further, in order for an act to qualify as "dilution" under Article 2, Paragraph ①, item (3) of the UCPA, the requirements of the fame and commercial use of a mark must be satisfied. Thus, the mere preoccupation of a domain name incorporating another trademark holder's mark is not considered as a commercial use.

3. Limitation under the Commercial Act

In order for the dispute to be settled under Article 23 of the Commercial Act, the requirement with regard to "the use of another person's trade name, which is likely to cause consumer confusion as to business identifier, in bad faith" must be satisfied. The "use" of a trade name herein indicates that a merchant uses his trade name as a name indicating himself in his business affairs. Thus, the domain name cybersquatting, which simply registers a trade name as a domain name, may not be considered as a use of a trade name. Further, since the scope of protection under the

Commercial Act is limited to a "trade name" only, a trademark, a person's name and the like are not protected thereunder.

4. Limitation under the Civil Act

The remedies are not adequate since they are limited under the principle of good faith under Article 2 of the Civil Act and the general provision concerning the prohibition of abuse of right. Further, in order for domain name cybersquatting to be deemed as an illegal act under Article 750 of the Civil Act, the illegality of the domain name's preoccupation must be acknowledged. In this regard, if an act of using a domain name does not fall under the Trademark Act, unfair competition, the UCPA or the Commercial Act, then it is difficult to argue the illegality under the Civil Act.

Even if the illegality is acknowledged, the intention and negligence of and the damage caused by the domain name registrant, and the cause and effect relationship thereof, further need to be proved. Accordingly, the burden of the injured party is substantial in carrying out the litigation .

C. Introduction of the revised provision of the UCPA

1. Definition of domain name (Article 2, Paragraph ④)

"Domain Name" refers to numbers, letters, symbols or the combination thereof corresponding to the IP address on the Internet.

The provision defining domain name is newly provided in the UCPA in order to facilitate the application and interpretation of the law. The legislative bill during its submission to the National Embassy cited such provision to avoid overlapping with a bill of the Ministry of Information and Communication ("MIC") which proposed the "Internet Address Resource Act ("IARA")[8]." However, the Industry and

8) The "Internet Address Source Act" (Enactment) of the Ministry of Information and Communication also provides for prohibition of domain name cybersquatting. This Act has been promulgated as Law No. 7142 on

Resources Committee of the National Assembly opined that since the bill of the MIC is not yet constituted and the citation of another law is likely to cause an inconvenience of the nationals, it is reasonable that the provision defining domain name is separately regulated in the UCPA.

Thus, it was reflected and defined separately. The revised provision of the UCPA was prepared in view of the "joint recommendation of the protection principle of the famous trademark of the WIPO, *i.e.*, the provisions on the protection of well-known marks." The "letter" portion is separately regulated so as to further apply to domain name cybersquatting against Korean domain names and was enforced as of August 2003[9].

2. Newly adding domain name cybersquatting as an act of unfair competition (Article 2, Paragraph ①, item (8))

Article 2 (Definition)

① "Unfair competition" refers to an act falling under any one of the following subparagraphs:

(8) A person who has no proper authorization to a domain name registers, owns, transfers or uses the domain name identical or similar to another person's name, trade name, trademark and other mark widely known in Korea for any one of the following purposes:

(i) selling or renting the domain name to the rightful owner of a trademark or any other sign to a person who has proper authorization to a mark such as trademark;

(ii) impeding a person who has proper authorization to register and use a domain name; and

(iii) obtaining commercial gain.

January 29, 2004 and shall enter into force within six months thereafter. The detailed explanation of this Act will be separately discussed hereinafter and a comparative explanation of the matter relating to the revised provisions of the UCPA will be provided in the relevant portion.

9) Article 2, para. 1, (2)

1. "Internet address" refers to the information system consisting of numbers, letters, signs or the combination thereof, which enables to distinguish and access the specified information system. The internet address is

Domain name cybersquatting interferes with fair trade and disrupts on-line business activities of the legitimate party. Previously, even if the user's confidence in the Internet became compromised through the creation of consumer confusion as to the source of goods or services or through the increase of expense for searching on the Internet, there were no grounds under the law which prohibited such acts. Thus, prohibition of domain name cybersquatting under the law was necessary, particularly for ensuring the efficiency [10] of non-judicial dispute resolution proceedings.

a) Scope of application

The amended UCPA is applied to both gTLD and ccTLD domain names. On the contrary, IARC established by the MIC is strictly applied to the ccTLD domain names. Thus, the UCPA is applied to the .com, .biz, .kr domain names, whereas the MIC's Act is strictly applied to the .kr domain names.

b) subject matter of protection

Domain name cybersquatting prohibited by the amended UCPA is limited to a domain name that is identical with or similar to "a mark such as name, trade name, trademark, etc. widely known in Korea". Thus, a trademark which is not widely known in Korea is not subject to the protection benefited by the amended UCPA. The reasons why the scope of protection is limited to "a trademark, etc. widely known in Korea" are as follows. Since one of the main purposes of domain name

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provided in accordance with certain communication rules by the international standard manner on Internet and the addresses falling under any of the following subparagraphs:

a. Internet protocol address: an Internet address which enables computers and information and communication equipments to be recognized on the Internet;

b. **Domain name: an Internet address that enables a human being to easily remember the Internet protocol address on the Internet**; and

c. Other Internet addresses including numbers, letters, signs, etc., which allow distinction between certain information on the Internet.

10) They cybersquatting against ".kr" domain name is prohibited by Article 8, Paragraph 3, (4) of the DDRC. However, if the registrant's appeal to the DDRC's resolution was filed before the court and as a result, the court rendered its decision contrary to such DDRC's resolution, the efficiency of non-judicial dispute resolution proceeding would be reduced due to the lack of ground under the positive law.

cybersquatting is to take a free ride on the financial value of a mark such as trademark, the main subject of domain name cybersquatting is limited to a widely known trademark. Further, the free use of the Internet is not hindered due to the limitation on the scope of protection. In addition, the consensus drawn from a meeting of the Internet industry and experts with regard to the extending the scope of protection to "a trademark, etc. which is not widely known" was reflected to be beyond the purpose provision of the UDRP[11]. For reference, Article 8, Paragraph ③, item (4) of Rules for Domain Name Dispute Mediation also limits the scope of protection to "a trademark, etc. that is widely-known in Korea".

c) Protection of a person who has proper authorization

The amended UCPA requires cybersquatting to be "an act of a person who has no proper authorization" for a domain name. This is to protect a person who has proper authorization for registering and using a domain name. Thus, a person who has legitimate rights to name, trademark, trade name, etc., and who has legitimate interests to a domain name such as the one that is widely-known to the general public even though he or she has no trademark right, are able to be protected. Hence, it prevents an act of reverse domain name hijacking and any misuse of trademark owner's rights.

d) Bad faith

The most important requirement for constituting domain name cybersquatting is bad faith. The ACPA[12], UCPA[13] and UDRP also require bad faith for cybersquatting. The ACPA and UDRP enumerate the requirement of bad faith but state that it is not expressly limited to what is enumerated. Moreover, the UCPA specifies bad faith as the "purpose of obtaining unfair profits or damaging another person".

11) Article 1 (Purpose) The purpose of this Act is to maintain the order of sound transactions by preventing unfair competitive acts such as unjust use of another person's trademark, trade name, etc., known to the public in Korea and any act infringing on another person's trade secret.

12) The US Anticybersquatting Consumer Protection Act ("ACPA") is an act that amended the US Lanham Act in order to prevent cybersquatting in 1999.

13) Japan also amended UCPA in 2001 in order to prevent cybersquatting.

The amended UCPA specifically requires bad faith for domain name cybersquatting in accordance and associated with the following:

- Purpose of selling or renting a domain name to a person who has proper authorization for a mark such as trademark, etc. or to any third party
  This provision is a representative type of domain name cybersquatting. Thus, it provides the requisite bad faith for cybersquatters whose purpose is to preoccupy a domain name and then sell it to the legitimate right holder or to a third party at a higher price than he or she paid for obtaining the domain name.
- Purpose of interfering with registration and use of a domain name by a person who has proper authorization
  This provision is to provide the requisite bad faith to an act of interfering with competitors' registration or misuse of first-come, first-served principle of a domain name.
- Purpose of obtaining commercial profits
  This provision is for regulating acts other than those provided in the above A and B and for prohibiting an act of causing confusion among Internet users as to source, sponsorship or relationship of sites which is often created by registering and using a domain name identical with or similar to a famous mark for the purpose of obtaining commercial profits. In accordance with the above provision, an act of nominally transferring a domain name to another person for free and an act of typosquatting[14] are also prohibited.

There may be an opinion that the amended provision of the UCPA stipulating "the purpose of bad faith" as "the purpose of obtaining any other commercial profits" may obstruct free use of Internet since the scope is so broad. However, since the amended UCPA limits domain name cybersquatting to "trademark, etc. that is widely known in Korea," only an act of obtaining commercial profits through

14) Typosquatting is an act of intentionally making a typo in the words consisting a domain name when registering another person's trademark as a domain name in order to induce Internet users to an intended site. For example, an act of registering "samsong" as a domain name instead of "Samsung".

registering another person's famous trademark, etc. is prohibited. This cannot be said to be an excessive restriction.

e) Act of registering, owning, transferring, or using a domain name

An act that is prohibited as domain name cybersquatting is an act of registering, owning, transferring, or using a domain name. The existing Act has been used to regulate disputes between a mark and a domain name involving an act of causing

[Table 1] Comparison between foreign legislations for the prevention of domain name cybersquatting

	Japanese UCPA	US ACPA	Korean Domain Name Dispute Resolution Policy
Scope of Protection	Indication of certain products, etc.	Distinctive mark (including a personal name)	Widely-known trademark, etc.
Bad Faith	Purpose of obtaining unfair profits or damaging another person	Provision providing examples in consideration of the purposes of bad faith	Act of Interfering with registration of a domain name
Reasonable Grounds	No special provision	Reasonable grounds such as fair use	Lawful rights and use
Type of Act	Act of obtaining rights to use a domain name, and owning and using the domain name	Registration, trafficking, or use of a domain name	Registration of domain name
Remedies	Claim for prohibition Claim for damages Criminal punishment (imprisonment of up to 3 years or a fine of up to 3 million YEN)	Forfeiture or cancellation of the domain name or the transfer of the domain name Claim for damages (amount of not less than $1,000 and not more than $100,000 per domain name)	Cancellation or transfer of domain name registration

confusion as to sources of goods and business or an act of damaging the reputation or distinctiveness of goods through the use of a domain name.

The main purpose behind the recent amendment was to regulate an act of registering a domain name without use. However, among acts of using domain names, even an act of using a domain name in bad faith may not cause confusion as to sources of goods or business, or damage the reputation or distinctiveness of goods. As such, it became necessary to regulate such acts. Further, the reason why an act of owning or transferring a domain name is separately provided is that even when there is no bad faith when registering a domain name, it may arise after registration. Thus, the amended UCPA specifically enumerates such acts in its attempt to include actual and frequent grounds of bad faith.

3. Stipulation of remedy against domain name cybersquatting and claim for de-registration of domain name (Article 4, Paragraph ②)

Article 4 (Claim for prohibition against unfair competition, etc.)
① (Omitted)
② The claim under Paragraph ① may be filed with a claim for the destruction of anything that causes the unfair competitive act, removal of facilities causing such act, de-registration of the domain name that is the subject of unfair competitive act, or any other remedies required for the prohibition or prevention of such act.

Although there is currently no substantive enactment directed to the claim for the cancellation of domain name registration, the court rendered its decision on the domain name dispute based on the Article 4 (claim for prohibition, etc.) of the UCPA. The claim for de-registration of domain name is set forth in and regulated by the recent amendment of the UCPA. Such amendment reflects the above court's decision to effectively control domain name cybersquatting and allow a claim for the de-registration of domain name at issue for the eventual settlement of such dispute. In view of such stipulation of the claim for de-registration of domain name, it will become easy for an entity with proper authorization such as trademark right to file a claim for de-registration of domain name which includes a mark that is

cybersquatted. Further, it is considered that the stipulation of the claim for de-registration of domain name will assist in rendering future decisions by the court.

In addition, when the amendment to the UCPA was proposed, a provision directed to the claim for transfer of domain name was also considered. However, in the case of a known trademark, there can be many trademark right holders. Therefore, the academic and legal circles in Korea opined that it may be too difficult to decide on whom the claim for transfer of domain name shall be granted. Accordingly, in accordance with such opinion, it was decided not to establish a provision directed to the claim for transfer of domain name.

4. Claim for compensation of damages and recovery of credit

The amended UCPA provides for the claims for compensation of damages and recovery of credit as a remedy of domain name cybersquatting just as any other unfair competitive act. Therefore, an individual with proper authorization may file a claim for compensation of damages and recovery of credit under Articles 5 and 6 of the UCPA[15] before the court in case the loss of credit or damages in its business occurs due to domain name cybersquatting.

5. Exclusion of investigation and recommendation on correction

The amended UCPA specifically excludes the application of Article 7 (Investigation into unfair competitive act) and Article 8 (Recommendation on correction of violation) from domain name cybersquatting. This is because the above Articles are not believed to be effective on domain name-related cases. Rather, such Articles are limited to controlling counterfeit products at the present moment and they are likely to be abolished in the future.

15) Article 5 of UCPA (Liability for Damages Caused by Unfair Competitive Act) states that any person who infringes on another person's business profit and inflicts any damage on another person by an unfair competitive act which is committed intentionally or by negligence shall be found liable and shall compensate such damage; provided that, in the case of subparagraph 1 (c) of Article 2, it shall be limited to the unfair competitive acts committed on intent.

6. Exclusion of criminal punishment from domain name cybersquatting

The amended UCPA excludes criminal punishment from domain name cybersquatting. This is because the imposition of criminal punishment on domain name cybersquatting[16] is likely to give undue value to the protection of trademark right holders and further impede the harmonious free use of domain name. In addition, it is too harsh to impose imprisonment or monetary penalty against the act of registering a domain name without any sense of guilt, and that domain name cybersquatting can be sufficiently exterminated by remedies such as de-registration of domain name or compensation of damages, etc. Further, such exclusion of criminal punishment is to meet the policy directed to converting from administrative punishment to administrative order punishment. This is to prevent any unnecessary production of criminals in compliance with the policy of the Ministry of Justice.

IV. Relations to the 'Internet Address Resource Act (Enacted)' of the MIC

The 'Internet Address Resource Act' established by the MIC also prohibits domain name cybersquatting[17]. Thus, it is necessary to examine the relations between the IARA and the UCPA.

Article 6 of UCPA (Restoration of Credit Lost by Unfair Competitive Act) states that a court may, upon receiving a claim from a person whose business profit is infringed on by an unfair competitive act, order a person who has intentionally or negligently downgraded the credit of another person's business by an unfair competitive act to take any measure necessary for restoring the credit of the business in addition to or in lieu of compensation for damage as prescribed in Article 5; provided that, in the case of subparagraph 1 (c) of Article 2, it shall be limited to the unfair competitive acts committed on intent.

16) In accordance with Article 18-3 of UCPA, unfair competitive act shall be punished by imprisonment for not more than seven years or by a fine not exceeding one hundred million won.

17) Related provision of IARA

Article 12 (Prohibition of registration of domain name with purpose of bad faith) ① A person shall not impede the registration of a domain name of the lawful right holder, nor register domain name for the purpose of obtaining unfair profit from the lawful right holder; and ② a person with proper authorization may file a claim for the de-registration of domain name before the court against the person who violated the provision of Paragraph ① and registered the domain name, etc.

A. Direction of legislation

With respect to the legislation concerning the control of domain name cybersquatting, it was eventually agreed between the Korean Intellectual Property Office ("KIPO") and MIC that the UCPA will regulate the cybersquatting against a mark such as a trademark, trade name, designation, etc., and the IARA will govern the general cybersquatting other than what is specified above. Both acts geared to the identical matter may at times overlap with each other. However, both acts possess different legislative purposes, scope of application and the means of extermination. Further, some of the existing overlapped provisions of those acts complement each other rather than conflict with each other. Thus, it was considered that there is no legislative problem between the two acts.

B. Purpose of legislation

The principal purpose of the UCPA is the protection of the right holders and the establishment of trade order, etc. The principle purpose of the IARA, on the other hand, is the effective administration of Internet addresses and thus possesses more of an administrative character. In this respect, both laws differ from each other in the purpose of legislation.

C. Scope of application

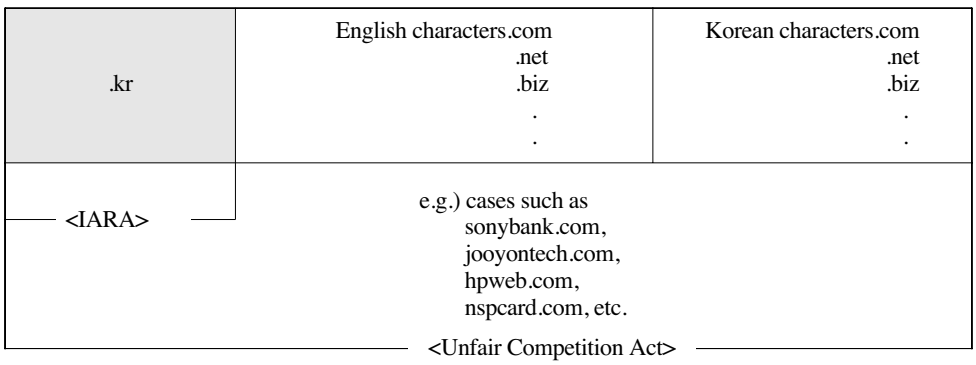
The application of the IARA is limited to the country code domain names (.kr). However, the UCPA is applied not only to the ".kr" domain names but also to the generic top-level domain name (.com, .net, .biz, etc.).

D. Remedy against domain name cybersquatting

The IARA provides the de-registration of the domain name as a remedy[18] against cybersquatting. In addition to de-registration of domain name, the UCPA further

18) At the beginning, the bill for the same law included the imposition of the "fine for default" against

[Picture 1] Scope of application of law relating to cybersquatting



provides for compensation for damages, etc. Their provisions for de-registration of domain names overlap each other. However, both provisions are not in conflict but rather complement each other. Thus, it is expected that they will fully serve and protect the lawful right holders.

V. Conclusion

Once the amended UCPA takes effect, it is expected that the rights of the lawful right holder such as a trademark right holder will be efficiently protected in the cyberspace and fair trade will be established therein. However, considering that domain name related disputes are currently a concern, the re-examination of the Trademark Act and its practices should be conducted in order to deal with new issues in the future such as the key word service or Metatag.

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cybersquatting. However, it was deleted during the Assembly examination proceedings because it was believed that the imposition of fine for default was too excessive of a control and a problem existed in view of its relation with the UCPA.