

Nominet UK Dispute Resolution Service

DRS 02685

SKYPE TECHNOLOGIES, S.A. v. VAULT TECHNOLOGY Ltd.

Decision of Independent Expert

1. Parties:

Complainant: Skype Technologies, S.A.
Address: 2nd Floor
7-11 Lexington St.
London
Postcode: W1F 9A
Country: GB

Respondent: Vault Technology Ltd.
Address: Belmont House
317 Windmill Ave.
Kettering
Northants
Postcode: NN15 6PR
Country: GB

2. Domain Name:

Skype.co.uk ("the Domain Name")

3. Procedural Background:

The complaint was lodged and entered onto Nominet's system on 31 May 2005. Nominet validated the complaint and sent the complaint documents to the Respondent on 7 June 2005, noting that the Dispute Resolution Service had been invoked and that the Respondent had 15 working days (until 29 June) to submit a Response. That deadline was later extended to 30 June, when the Response was formally received and forwarded to the Complainant. The Complainant elected not to submit a Reply and the Informal Mediation stage was initiated on 15 July. The dispute was not resolved by mediation – though of course I have seen no materials relating to the Informal Mediation – and on 22 August the Complainant was invited to pay the fee to obtain an

Expert Decision pursuant to paragraph 7 of the Nominet UK Dispute Resolution Service Policy Version 2 ("**the Policy**"). The fee was duly paid on 6 September 2005.

On 7 September 2005 Nominet invited me to provide a decision in this case and, following confirmation to Nominet that I knew of no reason why I could not properly accept the invitation to act in this case and of no matters which ought to be drawn to the attention of the parties which might appear to call into question my independence and/or impartiality, Nominet duly appointed me as Expert with effect from 13 September 2005.

4. Outstanding Formal/Procedural Issues (if any):

None.

5. The Facts:

The Complainant is a member of the Skype Group of Companies. The Group markets and distributes 'Skype'-branded voice communications software internationally in a number of languages. The Group owns no UK or Community trade mark registrations.

The Nominet WHOIS search with which I have been provided shows that the Domain Name, *skype.co.uk*, was registered on behalf of the Respondent on 15 September 2003.

From the screen printouts provided to me, it is apparent that the Respondent publishes a commercial website under the URL <http://www.skype.co.uk>, offering various mobile 'phone-related media including logos, ring tones, picture messages, animated screen savers, SMS art messages and backgrounds.

6. The Parties' Contentions:

Complaint:

The Complainant requests that the Domain Name be transferred to it on the basis of the following submissions.

"I. BACKGROUND REGARDING THE COMPLAINANT:

The Complainant, Skype Technologies S.A., is a member of a well-known and fast-growing group of inter-related companies (the "Skype Group of Companies") which market and distribute the software program dubbed Skype ("Skype"). Skype

is available in 20 languages and is the fastest growing voice communications software in the world today (See Exhibit A for sample images of the Skype software application). Since its launch in August 2003, Skype has been downloaded more than 107 million times (See Exhibit B). Also, the number of active users at any given moment regularly exceeds one million people (Also see Exhibit A). The Skype Group of Companies is incorporated in multiple countries throughout the world, but its commercial functions are managed centrally from Skype Technologies Ltd., incorporated in London, England.

II. THE DOMAIN NAME 'SKYPE.CO.UK' ("The Domain Name") IS IDENTICAL TO SKYPE'S COMPANY NAME, AS WELL AS TO A TRADEMARK IN WHICH THE COMPLAINANT HAS RIGHTS.

A. The Domain Name is identical to Skype's company name.

i. *Company Name: The Complainant's business is commonly known by the name 'Skype,' both in the U.K. and throughout the world. Please see Exhibit C, which includes proof of the U.S. incorporation for Skype, Inc., which is but one component of Skype's global presence; the results of a query of the public WHOIS database for The Complainant's homepage (www.skype.com), a domain that was registered and launched a full five months prior to the registration of www.skype.co.uk; and a screenshot of the press release announcing the 2003 launch of the Skype product (The Complainant feels it noteworthy here that the registration of Skype.co.uk took place a mere two weeks following this much-publicized product launch).*

The Respondent, meanwhile, has shown no evidence (other than the registration date of the Skype.co.uk website itself) that it has been known by the name 'skype,' either in the U.K. or anywhere else. The Respondent even went so far as to claim that the slogan 'The Skype's the Limit' was coined by it, and this marketing campaign is "in its own right a successful operation" within the mobile telephone 'ringtone' industry. (See Respondent's letter, dated 20 April 2005, included as Exhibit D.). A somewhat unscientific (yet fairly reliable) estimate of the popularity and public recognition of a given slogan can be achieved by examining the number of results obtained via the major Internet search engines for that phrase. A search of Google.co.uk for the phrase 'The Skype's the Limit' returned over six pages of results, virtually all of which clearly deal with The Complainant's product. The same search query, when coupled with the word 'ringtone,' returns only two results, and each of those websites deals only with The Complainant's product. (See screenshots in Exhibit E.) Therefore, it appears more likely that the Respondent simply read one of the many online articles discussing Complainant's software which used this slogan as its headline (See examples included as Exhibit F), and has done so to create the impression that Skype.co.uk is a legitimate on-line business, rather than the cybersquatter that it actually is.

ii. *Distinctiveness of Term at Issue: The term 'skype' is a purely arbitrary and fanciful term, selected specifically for its unique and distinctive nature. It is neither wholly generic nor merely descriptive of Complainant's products or services. The term 'skype' clearly possesses a strong degree of distinctiveness.*

iii. Degree of Similarity: The Domain Name consists solely of the term 'skype,' with only the generic country-code top-level domain extension '.co.uk' appended to it. Multiple Nominet decisions have held that the addition of the '.co.uk' extension should be discounted as being wholly generic, and is not to be factored into the Expert's analysis (see DRS 00784 - 'AsseenonQVC.co.uk.' Also see DRS 01493 '1-Nokia-ring-tones.co.uk'). Thus, the Domain Name is identical to the Complainant's company name.

B. The Domain Name is identical to the Complainant's trademark.

i. Global Trademark Protection Campaign: The Complainant was granted trademark registration for the term 'skype' in the following European countries at various times during 2004: Finland, Switzerland and Lichtenstein (Certificates of registration are included as Exhibit G). Registrations have also been obtained in Australia, New Zealand, Hong Kong, Korea, Israel and Taiwan. Applications are currently pending with trademark offices representing the European Community, Poland, Hungary, Turkey, the United States, Canada and eleven other nations.

ii. Other Trademark Rights: "Rights" are defined in the Policy and in the Procedure. Rights "includes, but is not limited to, rights enforceable under English law." The Skype trademark has developed substantial goodwill and reputation in the 'Skype' name, due to extensive advertising and marketing in the British marketplace. (Exhibit H shows samples of such advertising.) The Respondent takes the position that "No trademark [in the term skype] existed at the time that [the Respondent] registered the site." (See Respondent's letter, dated 11 April 2005, included as Exhibit I.) The Complainant disputes this assertion, as even in the absence of formal registration in the U.K. or with the European Community, such unregistered rights also constitute "Rights" for the purposes of the Policy. See DRS01816 YWCA.org.uk.

iii. Degree of Similarity: The Domain Name is identical to the 'skype' trademark, for reasons similar to those outlined in II(A)(iii), above.

III. THE RESPONDENT'S REGISTRATION AND/OR USAGE CONSTITUTES AN ABUSIVE REGISTRATION UNDER THE POLICY.

A. The Respondent has registered/acquired and used The Domain Name in a manner which took, and takes, unfair advantage of The Complainant's rights.

i. Offers to Sell the Domain Name for a Premium: When the Respondent was initially contacted by the Complainant regarding this matter, it stated that it "would be willing to consider settling this matter amicably," if compensated for the "...time and money building and promoting the site..." (See Respondent's letter, dated 19 October 2005, Exhibit J.) The Complainant then made an offer of £600 to the Respondent to transfer the Domain Name, which was resoundly refused. The Respondent then countered with an offer of £4787.92, which was to represent compensation for the "lost profitability" that it would incur over the period it would take to "...get the site re-indexed in the search engines..." as well as to "build up its user base," and to change its "marketing material." (Also see

Exhibit D.) The Complainant does not dispute that the Respondent would likely incur "lost profitability" without continued use of the Domain Name. It is likely that the amount of advertising and other revenue that it is able to generate by way of exploitation of The Complainant's substantial reputation and goodwill would be highly profitable. In fact, one might realistically deduce that £4787.92 might be The Respondent's estimate of revenue that it expects to receive during the course of these proceedings, the timetable of which is well-publicized. The Respondent appears simply to have concluded that it will either be paid this amount by the Complainant, or by its advertisers, so the enterprise is profitable either way.

ii. The Respondent's use of the Domain Name is likely to confuse Internet users who intend to access The Complainant's website.

The significant goodwill that the Complainant has built up in its Skype brand via its worldwide marketing efforts is being exploited by the Respondent. At least some U.K. Internet users who are exposed to Skype's U.K.-focused marketing will inevitably assume that Skype can be found at www.skype.co.uk. The users who do will arrive at the Respondent's website instead. The Respondent has not demonstrated any evidence that Internet users (whether interested in 'ringtones' or otherwise) in any way associate the term 'skype' with their business. Instead, The Respondent relies solely upon the misguided notion that, since 'ringtones' are not literally synonymous with Internet telephone services, there is no possible likelihood of 'confusion' from a trademark/tradename standpoint. (See Exhibit I.) This theory, of course, only takes into account the potential confusion which may occur after reaching the website in question. It flatly ignores the fact that an initial exploitation of goodwill will have already taken place. The mere fact some parties who were seeking the Complainant's product are arriving at the Respondent's website means the Respondent has been unjustly enriched by providing marketing opportunities it would not otherwise have had. This form of injury has been repeatedly recognized by Nominet as one possible theory upon which to base a finding of abusiveness (See e.g. DRS 00077 GEFanuc.co.uk).

iii. Additional communications put forth by the Respondent show that its actions are premeditated, and part of a carefully-crafted plan to take unfair advantage of The Complainant's rights.

In its written correspondence, the Respondent has, on multiple occasions, employed tactics transparently designed to deter the various representatives speaking on behalf of The Complainant from acting to recover the Domain Name. For example, in its response to The Complainant's initial demand, the Respondent threatened to report the Complainant to the "UK DTI Department" which, according to the Respondent, "is always eager to protect UK businesses from outside interferences." (The Respondent obviously was unaware that the Complainant maintains its primary offices in the U.K.) In a later communication, the Respondent made yet another threat, this time involving negative media coverage. (Also see Exhibit I.)

Other statements put forth by the Respondent demonstrate that it possesses a sophisticated understanding of the business of cybersquatting. For example, the

Respondent was quick to pounce upon the current, well-publicized cybersquatting action involving Apple Computer, the domain name www.ITunes.co.uk and Mr. Benjamin Cohen. The Respondent stated that it was confident that the Cohen case would "slow [this action] down, as it has wide-reaching implications." (Also see Exhibit I.) While The Respondent seems to have completely missed the fact that the inherently descriptive term 'iTunes' carries far less distinctiveness than the arbitrary and fanciful term 'skype,' it clearly understands the processes involved with domain name recoveries, and has found a way to convert the time spent during this action into a tactical advantage in and of itself.

IV. CONCLUSION.

For all of the foregoing reasons, The Complainant respectfully requests that the Internet domain name 'www.skype.co.uk' be transferred to The Complainant at the earliest possible opportunity."

Response:

The Respondent resists the transfer of the Domain Name on the basis of the following submissions:

*"We very strongly refute the claim on the the above domain by Skype Technologies
S.A. (ST)*

Comments on ST inserts:

A) Not relevant to this case – its just ST showing that since 2003 the ST business has had exponential growth.

B) See above A

C) So they are incorporated in the USA, how does that signal global business intent? A press release that is shown on the Skype.com web site in 2003 – Oh please, I bet not even the internet search engines found that well published release!

D) We came up with the name skype from a play on the sky to adverts "the sky's the limit" that's where "the skype's the limit" came from. In July 2003 we started to put together plans for our site (the month our company was formed). The fact of how well this slogan is recognised is not relevant to this case as we have never promoted this as our main slogan – it was the origin of where the idea for the name "skype" came from!

It is worth pointing out that the article included by ST "The skype's the limit" is dated September 23rd 2003, this is 8 days after we registered the domain! - see attached (perhaps they took the phrase from us....?)

E) Our skype.co.uk site was already long up and running before ST trademarked the name "skype" – had we seen the application we would have objected, however the phrase "the stable door and horse" comes to mind!

F) We object to being called a "cybersquater" – we have "read up" on this whole area since ST first started threatening us with legal action.

We would like to draw to attention the following points:

a) Both our business and Skype Technologies (ST) was formed in 2003.

b) We were very disappointed to find that skype had been taken as we wanted both the .com and the .co.uk. However we didn't think this would be relevant nor would it add or detract from any marketing we would undertake. They have stated that their main office is in the UK, they should answer the question why they didn't buy skype.co.uk when they set the business up? Is this a case of one business experiencing exponential growth against a small but growing business and now the big business wants "ground" it claims it has a natural right to have. Well we had our plans before they were even heard of.

c) ST do not have a clear marketing strategy: they market the word "Skype" when they should be marketing "skype.com" – this is not our fault that their marketing is unclear and ST should look at the message they are sending out to the press and, or, other channels. We can provide proof of this is you require it.

d) We have never pretended to be anything to do with any VOIP product - we don't want any misinformed Skype.com traffic and they need to internally address their external communication strategy.

e) If ST had a world wide domain plan and marketing it wasn't implemented see www.skype.de

f) We operate a very focused web site on "Ringtones" and other mobile phone downloadable products Our site is kept up to date with the latest offers. This has been the case from day one.

g) We do not redirect any misspellings to any VOIP site.

We have experienced problems retrieving old email - as we note that ST didn't include the original letters to us from them. These letters we consider should be included as parts of our defence, only then will you see the unpleasant tone, aggressiveness and fanciful claims of these people, hence please allow us until 5th to have a copy of these with you. It is important that you see these as you will understand that our stance of being amicable."

I should perhaps observe that have not been provided with copies of the correspondence referred to in the final paragraph of the Response and hence it has played no part in my Decision.

Reply:

The Complainant did not file a Reply.

7. Discussion and Findings:

Requirements which must be satisfied in order for the Complaint to succeed

Paragraph 2 of the Policy requires that, in order for the Complainant to succeed, it must prove to the Expert, on the balance of probabilities, both that it has Rights in respect of a name or mark which is identical or similar to the Domain Name; and that the Domain Name, in the hands of the Respondent, is an Abusive Registration as defined in Paragraph 1 of the Policy. These matters must be affirmatively proven by the Complainant.

Complainant's Rights

I must first decide whether the Complainant has 'Rights' in respect of a name or mark which is identical or similar to the Domain Name. The definition of 'Rights' in the Policy *"includes, but is not limited to, rights enforceable under English law."*

The state of the Complainant's submissions and evidence relating to its corporate identity and intellectual property ownership is not entirely satisfactory. For instance, in the Complaint the Complainant states that it is a company based in Great Britain, despite the fact that page 3 of Exhibit C makes it clear that the Complainant is a corporation based in and incorporated under the laws of Luxembourg. Further, according to the Complaint *"The Skype Group of Companies is incorporated in multiple countries throughout the world, but its commercial functions are managed centrally from Skype Technologies Ltd., incorporated in London, England"*, whereas the UK Companies Register contains no record of any company of that name.

What does seem tolerably clear is that the Skype Group of Companies markets and distributes 'Skype'-branded voice communications software around the world. The Complainant owns no UK or Community trade mark registrations, though it has applied for three Community trade marks (with filing dates in 2004 and 2005). There is a UK trade mark application (number 2358090) for "SKYPE" in fields including VoIP telephony, but that application is not obviously owned by the Complainant or its Group. But then, as the Complainant correctly observes, registered trade mark rights are not the only way to prove 'Rights' under the Policy.

The Complainant registered the domain name www.skype.com on 23 April 2003 and made its eponymous software application available (in beta) from 29 August 2003 onwards, accompanied by a two sentence press release published on its own website. The Complaint asserts that this press release was well-publicised, but the Response disputes this and there is no evidence of any such publicity before me.

However there is evidence, undisputed by the Respondent, that the Skype product has since become very popular and successful. Moreover I accept the Complainant's submission that - at least to English speakers - *"the term 'skype' is a purely arbitrary and fanciful term, selected specifically for its unique and distinctive nature. It is neither wholly generic nor merely descriptive of Complainant's products or services. The term 'skype' clearly possesses a strong degree of distinctiveness."* In the circumstances I am satisfied that the designation 'skype' presently enjoys a substantial reputation in the VoIP market, denoting the Complainant.

On the basis of the material submitted by the Complainant I am satisfied on the balance of probabilities that the Complainant presently owns Rights in the designation 'skype', and that it owned (more limited) Rights in the designation 'skype' as at the date of registration of the Domain Name.

I am also satisfied that this designation is identical to the Domain Name (ignoring, as I am required to do, the first and second level suffixes).

Abusive Registration

Paragraph 1 of the Policy defines "Abusive Registration" as a Domain Name which either:

- i. was registered or otherwise acquired in a manner, which at the time when the registration or acquisition took place, took unfair advantage of or was unfairly detrimental to the Complainant's Rights; OR
- ii. has been used in a manner, which took unfair advantage of or was unfairly detrimental to the Complainant's Rights.

A non-exhaustive list of factors, which may be evidence that the Domain Name is an Abusive Registration are set out in Paragraph 3(a) of the Policy. A non-exhaustive list of countervailing factors are set out in Paragraph 4(a) of the Policy.

The Complainant bases its case on paragraphs 3(a)(i)(A) and 3(a)(ii) of the Policy.

Under paragraph 3(a)(i)(A) of the Policy, it is indicative of Abusive Registration if there are *“circumstances indicating that the Respondent has registered or otherwise acquired the Domain Name ... primarily for the purposes of selling, renting or otherwise transferring the Domain Name to the Complainant or to a competitor of the Complainant, for valuable consideration in excess of the Respondent's documented out-of-pocket costs directly associated with acquiring or using the Domain Name.”*

Under this head the Complainant relies on the Respondent's offer to accept £4,787.92 in return for the transfer of the Domain Name. This was a counter-offer to the Complainant's offer of £600. This correspondence is admissible before me even though it is marked 'without prejudice' – as per the decision of the Nominet DRS Appeal Panel in Hanna-Barbera Productions, Inc -v- Graeme Hay (DRS 00389).

Viewed in context, I am not satisfied on the balance of probabilities that there is anything objectionable about the Respondent's counter-offer of £4,787.92. Paragraph 3(a)(i)(A) is intended to prevent attempted extortion, not stifle genuine commercial negotiation. Accordingly, I do not regard this component of the Complaint as being sufficient, without more, to establish Abusive Registration.

Under paragraph 3(a)(ii) of the Policy, it is indicative of Abusive Registration if the Respondent is *“using the Domain Name in a way which has confused people or businesses into believing that the Domain Name is registered to, operated or authorised by, or otherwise connected with the Complainant.”*

The Respondent contends that no one visiting <http://www.skype.co.uk> would believe they were visiting a website owned by the Complainant. The Complainant regards this analysis as over-simplistic, preferring to put its case on the basis of initial interest confusion: *“[The Respondent's] theory, of course, only takes into account the potential confusion which may occur after reaching the website in question. It flatly ignores the fact that an initial exploitation of goodwill will have already taken place. The mere fact some parties who were seeking the Complainant's product are arriving at the Respondent's website means the Respondent has been unjustly enriched by providing marketing opportunities it would not otherwise have had. This form of injury has been repeatedly recognized by Nominet as one possible theory upon which to base a finding of abusiveness (See e.g. DRS 00077 GEFanuc.co.uk).”*

I would accept that there is nothing beyond the mere use of the term 'skype' on the Respondent's <http://www.skype.co.uk> website which would be likely to cause or exacerbate confusion, and nothing to indicate that it has copied the content or the look and feel of the Complainant's <http://www.skype.com> site. As regards the differences between the parties' respective 'skype' services pointed out by the Respondent, I accept that the two businesses do not share an identical field of activity. However, as both parties position themselves within the online telephony services market there are nonetheless

significant affinities between their activities and likely to be more so in the future as businesses diversify and technologies converge.

On the other hand I also accept that, following the decision of the Nominet DRS Appeal Panel in Case DRS 00389 Hanna-Barbera Productions, Inc v. Graeme Hay, confusion which may arise irrespective of the content of the Respondent's site, solely as a result of the Respondent's adoption of a domain name comprising simply the designation 'skype', can and should be taken into account. The Panel's observations were made in the context of a 'fair use' / 'tribute site' dispute, but I can see no logical reason for restricting them to such cases. Mere 'initial interest confusion' is an admissible species of confusion in DRS cases.

On the basis of the evidence and submissions filed by the Complainant relating to the success and prominence of its Skype software, I am satisfied on the balance of probabilities that initial interest confusion is likely to have occurred as a result of the Respondent's adoption and use of the Domain Name. I would be surprised if a significant proportion of the traffic visiting the Respondent's site had not been generated by the people expecting to find the Complainant, its software and/or services.

But not all advantage accruing to the Respondent is necessarily 'unfair' advantage. To my mind the biggest question mark in this dispute is why the Respondent decided to adopt the designation 'skype' as an integral part of its trading name. The rest of the factors being fairly evenly balanced, I have come to the conclusion that this is the deciding factor in determining the fairness or unfairness of the Respondent's registration and use of the Domain Name.

It is not disputed that as between the two parties to this complaint, the Complainant coined the term 'skype' first - it had done so by at least 23 April 2003 when it registered the skype.com domain name. Yet the only material in the Response addressing the Respondent's subsequent adoption of the name 'skype' is: *"We came up with the name skype from a play on the sky to adverts "the sky's the limit" that's where "the skype's the limit" came from. In July 2003 we started to put together plans for our site (the month our company was formed). The fact of how well this slogan is recognised is not relevant to this case as we have never promoted this as our main slogan - it was the origin of where the idea for the name "skype" came from!"*

The Complainant alleges 'copying'; the Respondent alleges 'coincidence': it was ever thus. In court proceedings the credibility of this submission would no doubt be resolved by oral examination or further documentary disclosure, but I must do the best I can 'on the papers', bearing in mind that the Response, in breach of paragraph 5(c)(v) of the Procedure, does not contain a statement of truth (and consequently bare allegations of fact in the Response

should be regarded as assertions rather than evidence - Case DRS 02145 Net2Phone, Inc. v. Alex Wilkinson).

In the light of my finding (above) that the designation 'skype' is a "*purely arbitrary and fanciful term*" and "*possesses a strong degree of distinctiveness*", I regard it as extremely unlikely that two persons would independently have chosen it for use in the online telecommunications services market. In order to rebut the inference that the Respondent's 'skype' was derived from the Complainant's 'skype' I would have expected some credible explanation from the Respondent as to how the designation was first devised. Alas, the Respondent has not provided such an explanation. I am wholly unable to follow the logic of the suggestion that the fanciful term 'skype' was derived from the customary phrase 'the sky's the limit.' Accordingly I find myself unable to accept the Respondent's refrain that the co-existence of two 'skype's is purely coincidental.

In the light of all of the foregoing considerations, my overall assessment on the balance of probabilities is that the Complainant has discharged the burden of proving that the Domain Name was acquired and is being used in a manner which takes unfair advantage of the Complainant's Rights.

Accordingly I conclude that the Domain Name, in the hands of the Respondent, is an Abusive Registration.

8. Decision:

Having concluded that the Complainant has Rights in respect of a name or mark which is identical to the Domain Name and that the Domain Name, in the hands of the Respondent, is an Abusive Registration, I determine that the Domain Name, skype.co.uk, should be transferred to the Complainant.

Philip Roberts

September 14th, 2005

Date