

Protection of domain names in the PRC: new principles, new policy, new decisions*

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On 17 July 2001, the Supreme People's Court of the People's Republic of China issued the "Opinion on Several Issues concerning the Adjudication of Civil Disputes involving Computer Network Domain Names" (the "Opinion"). To demonstrate the government's efforts in putting China's intellectual property protection mechanisms in line with international practice, the Opinion attempts to provide authoritative guidelines to the People's Courts in adjudicating domain name disputes.

Following China's accession to the World Trade Organisation on 10 November 2001, the Intellectual Property Court of the Beijing Higher People's Court issued the final judgments for six domain name dispute cases which aroused a lot of interest among academics and practitioners in China.

This article will highlight the major issues under the Opinion and the recent decisions by the Beijing Higher People's Court.

The Opinion

The Opinion was issued to unify existing rules governing adjudication of domain name disputes, namely "Directives concerning Adjudication of Civil Disputes involving Intellectual Property Rights arising from the Registration and Use of Internet Domain Names" issued by the Higher People's Court of Beijing in August 2000 and the "Implementation Regulations concerning Registration of Internet Network Domain Names" promulgated in July 1997.

Below is a summary of the major issues explained in the Opinion.

Jurisdiction

Article 2 of the Opinion prescribes that the Intermediate People's Courts of the place of the alleged infringement or the place of the defendant's domicile shall have jurisdiction over a civil dispute involving a domain name. Where the place of the infringement and the place of the defendant's domicile are difficult to ascertain, the location of the equipment (such as a computer terminal through which the plaintiff discovered the domain name(s)) may be regarded as the place of the infringement.

This is consistent with existing practice. In past domain name disputes, the "place of infringement" was usually interpreted as the China Internet Network Information Center ("CNNIC"), the registry and regulatory body for ".cn" domain names located at Haidian District, Beijing. Alternatively, the action can be initiated with the relevant People's Court where the defendant is domiciled.

Jurisdictional issues in domain name disputes involving foreign interests shall be determined in accordance with the detailed provisions under PART IV of the *Code of Civil Procedure*. Article 243 of the Code provides that if the subject matter of the dispute is within the territory of the People's Republic of China ("PRC"), a civil lawsuit brought against a defendant not domiciled within the PRC will be under the

jurisdiction of the People's Court in the locality of the place of the subject matter of the dispute or of the place where the alleged infringement took place.

Causes of Action

In general, the cause(s) of action of a domain name dispute should be determined upon the particular legal relationship between the parties. In cases where the disputed name is identical with or confusingly similar to the plaintiff's registered trade mark, the usual causes of action are trade mark infringement under the Trademark Law and unfair competition under the Anti-Unfair Competition Law.

The Opinion also creates a new cause of action known as a "computer network domain name dispute". If the nature of the legal relationship between the parties is difficult to ascertain, the cause of action of "computer network domain name dispute case" can be adopted.

Trade Mark Infringement and Unfair Competition

By virtue of Article 4 of the Opinion, in the event that each of the following factors is satisfied, the Court should determine that the defendant's registration and/or use of a domain name constitutes a trade mark infringement or an act of unfair competition:

- the civil rights or interests of the plaintiff are legitimate and valid;
- the defendant's domain name, or the principal portion thereof,

constitutes a copy, imitation, translation or transliteration of a famous trade mark of the plaintiff or is identical with or similar to a registered trade mark, domain name, etc. of the plaintiff to such an extent that it causes confusion amongst the relevant public;

- the defendant does not enjoy any rights in the domain name, or the principal portion thereof, and has no legitimate reason to register and/or use the domain name; and
- the defendant's registration and/or use of the domain name is in bad faith.

What Amounts to "Bad Faith"?

From the series of decided cases on domain name disputes, there is a remarkable trend that, where the plaintiff is able to establish bad faith on the part of the applicant, the Courts tend to take the view that the domain name infringes the trade mark rights of the plaintiff or amounts to an act of unfair competition. Under the Opinion, if the defendant's conduct constitutes any one of the following, the People's Court should presume that the defendant acted in bad faith in using and/or applying to register the domain name:

- registering the famous trade mark of others as a domain name for commercial purposes;
- registering and/or using a domain name and letters identical with or similar to the plaintiff's registered trade mark, domain name, etc. and deliberately causing confusion with products or services provided by the plaintiff, or with the plaintiff's Internet website, to mislead Internet users into visiting the defendant's website or other websites for commercial purposes;
- having offered to sell, lease or otherwise transfer the domain name at a high price with a view to obtaining unfair benefits;
- the defendant neither uses nor intends to use the domain name after its registration, but intentionally prevents the registration of the domain name by the entity having legitimate rights therein; or

- other circumstances involving bad faith.

The presumption will be rebutted if the defendant proves that the domain name has acquired a certain degree of fame before commencement of the civil action and is distinguishable from the plaintiff's registered trade mark, domain name, etc. or if there are other circumstances to prove that the defendant did not act in bad faith in registering/using the relevant domain name.

Designation of Famous Trade Marks

Article 6 of the Opinion specifically empowers the People's Court to determine whether a registered trade mark involved in a domain name dispute is a famous trade mark upon a party's (usually the plaintiff's) request and the circumstances of the case. The exercise of the Court's power under the Article will be illustrated below.

Relief

Upon the People's Court's determination that the domain name in issue constitutes a trade mark infringement or an act of unfair competition, the Court may order the defendant to cease the infringement and/or cancel the registration of the domain name or, at the request of the plaintiff, order that the domain name be registered in the name of the plaintiff. The defendant may also be liable for damages to the plaintiff if the plaintiff has suffered actual financial loss.

The Final Judgments of the People's Court

On 15 November 2001, the Beijing Higher People's Court issued the long-awaited final decisions for the following six domain name disputes:

Inter Ikea Systems B.V. v. Beijing Cinet Information Systems Company Limited – IP Decision No. 76 of 2000 by the Higher People's Court

The Procter & Gamble Company v. Beijing Tiandi Electronics Group – IP Decision No. 27 of 2001 by the Higher People's Court

E.I.Du Pont De Nemours and Company v. Beijing Cinet Information

Systems Company Limited – IP Decision No. 47 of 2001 by the Higher People's Court

Cartier International B.V. v. Beijing Cinet Information Systems Company Limited – IP Decision No. 13 of 2001 by the Higher People's Court

Pfizer Inc. v. Shenzhen Wanyong Information Network Company Limited – IP Decision No. 48 of 2001 by the Higher People's Court

The Procter & Gamble Company v. Beijing Cinet Information Systems Company Limited – IP Decision No. 83 of 2000 by the Higher People's Court

These decisions are the first batch of final decisions issued by the People's Court in relation to civil disputes involving registrations of ".cn" third level domain names which are identical to the registered trade marks owned by foreign enterprises. As usual, the causes of action were trade mark infringement and unfair competition.

Nonetheless, two new issues emerged from these decisions:

1. Is the People's Court empowered to designate "famous" trade marks?
2. Given the inadequacy of the current regulatory framework of domain names in China, whether the Court can apply relevant international treaties in the adjudication of domain name disputes?

Designation of Famous Trade Marks

Traditionally, the power to designate famous trade marks lies with the Trademark Office and the Trademark Review and Adjudication Board of the State Administration of Industry and Commerce ("SAIC"). Subsequent to the promulgation of the *Tentative Regulations concerning Recognition and Administration of Famous Trade Marks* in 1996, only around 200 domestic trade marks are recognised as famous trade marks and the authorities have not commenced examination of any application filed by foreign trade mark owners for the status of famous trade marks.

Before the promulgation of the Opinion in July 2001 and the revised *Trademark Law* which came into effect on 1 December 2001, the question of whether famous trade marks can be designated by the People's Court had been under debate within the judiciary in China and it was not certain whether the administrative decision by the SAIC in designating famous trade marks can be subject to a judicial review.

In its recent decisions, the Beijing City Higher People's Court took a robust step in exercising its power under the Opinion to designate famous trade marks.

In the *Dupont* case, the People's Court recognised that Dupont is a famous trade mark in China based upon the following factors:

1. Registrations for "DUPONT" in various classes in China;
2. Substantial sales figures for the goods under the "DUPONT" trade mark in China (USD223,000,000 in 1997);
3. Substantial advertising and promotional expenses for the goods under the "DUPONT" trade mark in China (USD1,482,000 in 1997);
4. Widespread awareness of the "DUPONT" trade mark among the relevant public; and
5. Premium quality of the goods under the "DUPONT" trade mark.

On the other hand, the Court reversed the first instance decision by the Beijing No.2 Intermediate People's Court to designate IKEA as a famous trade mark on the basis that as at the date of application of the "ikea.com.cn" domain name (19 November 1997), the IKEA trade mark was not famous in China (IKEA opened its retail shops in Shanghai and Beijing in 1998).

It remains to be seen whether those famous trade marks (particularly foreign trade marks) recognised by the People's Court in domain name disputes will be afforded the same level of recognition and protection. In practice, a plaintiff in a domain name

dispute should include a separate claim for the Court's determination that his trade mark is a famous trade mark when preparing the Statement of Claim and provide evidence to that effect.

Application of International Treaties

Under Art. 142 of the *General Principles of Civil Law*, in the event that domestic civil laws are not consistent with international treaties to which the PRC is a signatory in respect of legal issues involving foreign parties, the provisions of the relevant international treaty shall apply. According to Judge Cheng Rongshun, the Chief Judge who delivered the final judgments in five of the above-mentioned domain name disputes, this mechanism was rarely invoked in intellectual property disputes as the majority of civil actions filed with the People's Courts did not involve foreign parties.

In the four final decisions against Beijing Cinet, the Court adjudicated that the registrations of the domain names "dupont.com.cn", "cartier.com.cn", "ikea.com.cn" and "whisper.com.cn" violate Article 10bis of the *Paris Convention for the Protection of Industrial Property* which prohibits any act of competition contrary to honest practices in industrial or commercial matters, and constitute an act of unfair competition under the *Anti-Unfair Competition Law*. Accordingly, the Court ordered the cancellation of the above-mentioned domain names.

Furthermore, in the *Dupont* case, in view of Article 6bis of the Paris Convention, the Court concluded that "DUPONT", a famous trade mark in China, should be afforded special protection against unauthorised imitation and the domain name "dupont.com.cn" constitutes an infringement of the famous trade mark "DUPONT".

Conclusion

To sum up, the Opinion and the recent decisions by the Beijing Higher People's Court laid down the

following general principles in resolving domain name disputes in China:

1. A registered ".cn" domain name which is identical with a registered trade mark of others does not per se constitute a trade mark infringement unless the plaintiff's registered trade mark has been designated by the SAIC or the People's Court as a famous trade mark.
2. Nonetheless, the registration or use of such a domain name will amount to an act of unfair competition provided that each of the criteria set out at Article 4 of the Opinion is satisfied.
3. In a domain name dispute involving a foreign party, the People's Court may apply the provisions of relevant international treaties (to which both the PRC and the home country of the foreign party are signatories) to resolve the disputed legal issues if there is any conflict between the relevant domestic laws and international treaties.
4. The People's Court is empowered to designate famous trade marks. In practice, however, the Court will exercise the power only if there is compelling evidence to prove that the relevant trade mark is famous in China as at the date of application of the defendant's domain name.

Unquestionably, the Opinion and the decisions not only provide useful guidelines for resolving domain name disputes in China, but also illustrate the robust approach of the People's Court in applying relevant international treaties to supplement domestic laws. It is expected that the Opinion and Higher People's Court's decisions will improve the framework for resolving civil disputes involving ".cn" domain names.

* This paper is an updated version of an article of the same name recently published in the December 2001 issue of "Focus" and the March 2002 issue of "HK Lawyer" journal.