

# Infringement of Trademark Rights Through the Internet

## And its Preventive Protection



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**Current regulations do not provide any obligation to prevent trademark infringements by domain name grabbing or cyber squatting**

The illegal downloading of copyrighted works from the internet is the most acknowledged form of internet piracy in China. TV footage of police battalions in a barrack somewhere in China feeding huge CD/DVD shredders with mountains of pirated software under the scrutinizing eyes of local politicians has frequently been aired around the world.

However, the internet is not used by IP pirates in China only to download copyrighted works, but also to infringe on other IP rights as well.

The registration of trademarks owned by third parties as second level domain names (e.g. rolex.com.cn-level) is a common form of trademark piracy on the internet nowadays. These registrations are possible for two main reasons. Trademark owners often do not register Chinese level domain names or internet keywords containing their trademarks or register only a limited number of possible variations of trademarks. There is a large number of potential variations of trademarks which pirates can register as domain names. Since 18 January 2000 it has been possible to register domain names in Chinese characters, increasing the number of domain name variations dramatically.

There is still no consensus in China as to whether this form of piracy constitutes trademark infringement or just a form of unfair competition. Article 4 of the 2001 "Interpretation by the Supreme People's Court of Several Issues Relating to the Application of Law in Adjudication of Cases of Civil Dispute over Domain Names on Computer Networks" is drafted in a sibylline form and does not provide a clear answer to the problem.

The above norm seems to recognize protection under trademark law upon fulfillment of three conditions. The first condition is that the wording of the domain name is identical or very similar to that of the trademark. However, there is no clear rule to determine whether and when a slight variation in the spelling of the domain name is sufficiently different as to preclude any similarity and therefore infringement. The second condition is that the goods to which the domain name is related are similar to those for which the trademark has been registered. The third condition is that the registration of the domain name with the trademark of a third party is made in bad faith, which must be proved by the trademark owner. The uncertainty of the current legislation and the difficulty in proving the fulfillment of the above conditions by the trademark owner explain why most cases of trademark grabbing or cyber squatting through domain name registration are dealt with in accordance with the provisions of the unfair competition law<sup>1</sup>, which are usually less effective than those of the trademark law. The only exception is made for cases involving "well-known" trademarks<sup>2</sup> for which protection is granted under trademark law independently from the conditions of bad faith and the similarity of goods. Therefore the enforcement of the trademark rights proves quite difficult in practice.

The following paragraphs analyse the reasons for such trademark grabbing (or cyber squatting) and the regulatory instruments to prevent such practice.

### The Registration of Domain Names in China

China Internet Network Information Centre (CNNIC) is responsible for the registration and administration of so called second level

<sup>1</sup>: *Inter Ikea Systems BV v. Beijing Cinet Information Co. Ltd.*, Gao Zhi Zhong Zi Nr. 76 (2000); CLP March 2002, 41 ff.; *Cartier International BV v. Beijing Cinet Information Co. Ltd.*, Jin Ling, Trademark World April 2002, 20 ff.; Hong, CPT 1999 Nr. 4, 87; Renmin Fayuanbao of 1. Juli 2000.

<sup>2</sup>: "yahoo.net.cn" case decided through arbitration by CIETAC in 2005 (Source: China Patents & Trademark No.3, 2005). "Dell Inc." case decided in August 2006 (Source: CNNIC website). "Borther Inc." case decided through arbitration by CIETAC in August 2006.

domains, other sub-domains in China (i.e. domain names like .cn, .cc, .中国, .公司 etc, and all domains in Chinese) and internet keywords. In practice the practical formalities of registration of domain names and internet keywords and therefore the direct contact with the end-users of the internet has been transferred to licensed operators called Domain Name Registrars (Registrars). These Registrars can in turn delegate other non-licensed agencies to carry out the registration of domain names and internet keywords upon the request of the end-user.<sup>3</sup>

The principle regulating the domain name registration is that of "first come, first served". CNNIC Regulations do not contain any norm expressly prohibiting the registration of domain names conflicting with trademarks registered by third parties. In other words, none of the authorities involved in the process of domain name-internet keyword registration are bound by specific obligations in this sense. In practice a user, which in China can only be a legal person, will apply for registration of a domain name with one of the licensed Registrars or their agents. Given that such registrations can be done in real time through the internet, the Registrars will process an application almost instantly. It is evident that the Domain Name Registrar or its agents will not make any cross check of the internet databank of the Chinese Trademark Office to verify whether the application conflicts with a trademark registration, nor is such an obligation set out in the domain name regulatory system.<sup>4</sup>

The current internal regulations of the Chinese domain name system do not provide any obligation for the Registrars to prevent trademark infringements by domain name grabbing or cyber squatting. Such wrongdoings can only be cured ex post with the legal and judicial means available under CNNIC regulations, Chinese trademark and unfair competition law.

<sup>3</sup>: Information available on the CNNIC Website.

<sup>4</sup>: Article 10 of CNNIC Implementing Rules of Domain Name Registration only imposes an obligation upon Registrars to "delete" domain names which are already registered and conflict with the Regulations. Article 10 states: "The Registrar should delete the domain name that violates the Regulations (...)". This norm is also quite unclear and does seem to set a duty rather than an obligation upon the Registrar. Also there is no implementing norm in case of non compliance. Such norm is a mere petition of principle.



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## The interests of an economically efficient and fast domain name system seem to conflict with the interests of trademark owners

### Domain Name Registrars and Recent Development of New Business Practices

The gaps in the CNNIC regulations of the Chinese domain name system have been exploited by some Registrars to develop rather aggressive and questionable business practices aiming at soliciting business from users. The scheme adopted in these cases follows a rather standardized pattern.

An increasing number of foreign companies investing in China have recently received almost weekly written communications from licensed Registrars informing them that a third company was applying for the registration of domain names and internet keywords containing trademarks registered in China by the addressees. Normally these letters continue by acknowledging the fact that the Registrar is aware that the domain name applied for registration is identical or similar to the lawfully registered trademark(s) of the addressee and offering to the addressee the possibility to buy this domain before someone else does it. They give the addressee an ultimatum by reserving the domain in question for a few days so as to allow the addressee some time to decide whether to register it or not. The tone of these letters creates the impression that the Registrar is doing the user a favour.

According to Article 19.2 of CNNIC Implementing Rules of Domain Name Registration of 2002 (amended in 2006) no Registrar should defraud, intimidate or take other malfeasant measures to pressure users to register domain names. Furthermore, Article 25.2 of the same Rules provide that Domain Name Registrars cannot reserve domain names or do so in disguised form. Letters of solicitation of the kind mentioned above violate these provisions. However, the same rules do not provide any sanctions or disciplinary measures against the Registrars

for such violations. This is another gap in the CNNIC self-regulatory system, which allows some Registrars to carry on with this business unchecked. It is evident that the Registrars could be in a position to prevent infringements but the regulations do not impose on them any kind of obligation in this respect. On the other hand it would be an anomaly in the trademark system to have a Registrar, a private business operator, deciding whether a domain is indeed similar or identical to a registered trademark (i.e. infringement), or whether a trademark is well-known etc. Such decisions can only be made by the trademark administrative or judicial authorities.

### Conclusion

Only the coordination of the activities of CNNIC and the Registrars with the work of the Trademark administration at the time of an application for domain name registration could offer some guarantee of preventive protection to trademark owners. However, this would slow down the whole domain name and registration process with an economic fall-out for the domain system itself. The interests of an economically efficient and fast domain name system seem to conflict with the interests of trademark owners to obtain preventive protection for their registered IP rights.

Unless a fairer balance between the conflicting interests is struck by means of binding legislation (replacing part of the self-regulatory system of CNNIC), the trademark owners will have to enforce their rights ex post through judicial or semi-judicial means with higher costs and uncertainty about the final result.

In the meantime trademark owners should carefully consider this issue and consider registration of domain names and internet keywords making part of their China trademark registration policy. ■

#### PROFILE

Schulz Noack Bärwinkel was the first German law firm to establish an office in Shanghai. Since 1994, SNB has mainly advised German, Austrian and Swiss companies on all legal questions arising from their investment in China. The focus of the firm lies in matters relating to Corporate, Banking, Trade and Distribution, Intellectual Property, Industrial Real Estate, Construction, as well as Procurement Law. Permanent advice rendered to German and other European industrial clients is the focus of Dr. Scheil's work. Long-term clients include reputable companies from the chemical, electrical, medical equipment, fasteners and paper industry. Dr. Scheil was appointed to the board of directors by several clients for their subsidiaries in China. Dr. Beconcini is in charge to the IP department in the Shanghai office of SNB and is specialized on international litigation in the field of Intellectual Property Rights, Copyright Law, product liability and product safety.

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