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## **New Rules for Resolving Chinese Domain Name Disputes - A Comparative Analysis**

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## **Abstract**

On 7th November 2000, the People's Republic of China adopted the Provisional Rules for Chinese Domain Name Dispute Resolution ('the Rules' - see Appendix). They represent Chinese efforts to strengthen management of Chinese domain name disputes, particularly for 'cybersquatting' cases. The article first analyses the salient features of the Rules, including grounds for complaints, lawful trademark rights of complaints, confusingly similar domain names, use of domain names, bad faith intentions, legitimate interests of domain name owners, proof of damages, remedies for complainants and time limitations for filing complaints. The article also evaluates to what extent the Rules are compatible with international practice, in particular the Uniform Domain Name Dispute Resolution Policy (UDRP). The article then discusses new developments regarding domain name disputes in other countries like the United Kingdom and United States. As domain name dispute resolution is developing into a kind of 'internet common law', it is likely that the Chinese dispute resolution body will take into account the legal developments of domain name dispute resolution in other jurisdictions. The article evaluates the merits of the Rules, including their flexibility, low cost and timesaving efficiency. It also evaluates their demerits, including their restrictive scope, bias toward trademark owners, inadequate coverage for 'reverse domain name hijacking', limited range of remedies and possibilities for further court or arbitration proceedings. The article then concludes that the Rules are laudable as they represent an important step in combating 'cybersquatters', thereby facilitating electronic commerce in China. However, the Rules are inadequate as they fail to take into account the interests of Internet users in 'non-commercial' sectors.

**Keywords:** Domain Names, Provisional Rules for Chinese Domain Name Dispute Resolution, Uniform Domain Name Dispute Resolution Policy, Cybersquatting, Reverse Domain Name Hijacking.

## **1. Introduction**

On 7th November 2000, the People's Republic of China (China) adopted the Provisional Rules for Chinese Domain Name Dispute Resolution ('the Rules' - see Appendix)[1]. The Rules represent the Chinese government's efforts to strengthen its management of Chinese domain name disputes, particularly for 'cybersquatting' cases. Cybersquatting cases first appeared in Western countries like the United States and United Kingdom[2]. In the past few years, many cybersquatters registered the names of many famous Chinese companies in domain registrars in countries such as the United States. As a result, these Chinese companies were forced to pay large sums to 'reclaim' their domain names. For example, cybersquatters registered the domain name 'kelon.com'. The Chinese company that owned the trademark 'KELON' paid RMB1 million to reclaim the domain name from the cybersquatter[3].

In recent years, cybersquatting cases have also emerged in China. A case in point is Inter IKEA System BV v Beijing Cinet[4]. The plaintiff in the case was the famous Swedish furniture company owning the trademark IKEA. The defendant registered the word

‘IKEA’ as a domain name in China. In the trial, the defendant argued that they did not know that ‘IKEA’ was a trademark owned by the plaintiff when they registered it. The defendant also argued that they registered ‘IKEA’ as domain name because the letter ‘I’ stood for Internet and the letters ‘KEA’ stood for ‘a parrot learning to speak’. The Chinese court rejected such arguments and held that the defendant infringed the plaintiff’s rights under the Unfair Competition Law of China.

While the Rules are an important step in resolving domain name disputes in China in general, and ‘cybersquatting’ cases in particular, nevertheless, they are only concerned with disputes arising from Chinese domain names registered with the China Internet Network Information Centre (CNNIC)[5]. Disputes that arise from Chinese domain names registered outside China are not protected by the Rules. If Chinese domain names registered with registries outside China and accredited by the Internet Corporation for Assigned Names and Numbers (ICANN)[6], they are now regulated by the Uniform Domain Name Dispute Resolution Policy (UDRP)[7] and the Rules made under the UDRP (UDRP Rules)[8]. Both the UDRP and the UDRP Rules were adopted by ICANN in 1999. In other words, Chinese domain names are now subject to two separate dispute resolution regimes. If they are registered within China, they are regulated by the Rules. If they are registered outside China, the UDRP and the UDRP Rules are applicable.

In this Article, I will analyse the salient features of the Rules and evaluate the extent to which they match international practice. I will focus, in particular, upon the UDRP and UDRP Rules adopted by ICANN. I will also discuss new developments in countries such as the United Kingdom and United States. While such legal developments are neither directly applicable to nor binding on the Chinese dispute resolution body, they will inevitably influence the latter’s interpretation of the Rules. This is reasonable as the nature of domain name disputes and dispute resolution rules are very similar in different countries. As Halpren and Mehrotra (2000) point out, domain name disputes are becoming a global phenomenon and domain name dispute resolution is developing into a kind of ‘Internet Common Law’. Thus, legal developments in domain name dispute resolution in other jurisdictions will inevitably affect China. I will also evaluate both the merits and demerits of the Rules and discuss whether the Rules are likely to serve the interests of China, drawing on the experience of similar domain name dispute resolution procedures both at international and local levels.

## **2. Salient Features of the Rules**

### **2.1 Grounds for Complaint**

Under the Rules a complainant can commence proceedings under the Rules if the complaint satisfies five criteria:

1. The complainant enjoys trademark rights protected by the law i.e. he is the trademark owner;
2. The domain name complained of is the same as the trademark belonging to

the complainant, or is similar to, or confusingly similar to the trademark;

3. The domain name holder does not enjoy trademark rights or any legitimate right to the domain name or any combination of characters that includes the domain name;

4. There was bad faith on the part of the domain name holder in registering and using the domain name;

5. The complainant's business has suffered, or is very likely to suffer, damages as a result of registration and use of the domain name[9].

In contrast, a complainant can file a claim under the UDRP if there is 'abusive registration' of domain names. Abusive registration occurs under the UDRP when the following three criteria are fulfilled.

- The domain name is identical or confusingly similar to a trademark in which the complainant has right;
- The domain name holder has no rights or legitimate interests in respect of the domain name;
- The domain name has been registered and used in bad faith[10].

The Rules therefore contain what I will call 'the trilogy of cybersquatting'. Namely, the domain name is 'identical or confusingly similar' to a trademark; the domain name holder has no legitimate interests in the domain name; and the domain name holder registered and uses the domain name in bad faith. As one can see from the definition of 'abusive registration' under the UDRP, these three elements also appear in the UDRP.

## **2.2 Lawful Trademark Rights of Complainants**

If the trademark is registered in China, a complainant should have no difficulty in proving the first criterion required under the Rules, namely his lawful trademark rights. The position is less clear, however, if the trademark rights of the complainant are not registered in China.

One common kind of unregistered trademark is 'personality rights'. Unregistered trademark rights emerged as an issue in many decisions made under the UDRP. In the case of *Jeannette Winterson v Mark Hogarth*[11], the complainant, Jeannette Winterson, was a famous UK writer. The respondent registered the domain names 'jeannettewinterson.com', 'jeannettewinterson.net' and 'jeannettewinterson.org'. The panel ruled that for the purpose of the policy, the UDRP did not require complainant's trademark to be registered with a government authority or agency. In coming to the ruling, the panel relied on the previous UDRP decision of *Cedar Trade Associates Inc. v Greg Ricks*[12]. It further held that trademarks, where used in the UDRP, are:

‘not to be construed by reference to the criteria of registrability under English law, but more broadly in terms of the distinctive features of a person’s activities’[13].

In another UDRP case, *Gordon Sumner, a.k.a. Sting v Urvan*[14], the panel came to a different ruling. In this case, the complainant was the famous singer Sting, while the complainant Michael Urvan was an amateur gamer. Urvan registered the domain name ‘www.sting.com’ or sending e-mails and global Internet gaming services. The panel held that ‘personality rights’ were not intended to be subject to the UDRP. While a personality right might be protected under the UDRP, the panel considered that it was not intended to be subject to the UDRP[15]. It also distinguished this case from the *Winterson* case in that the word ‘sting’ is a common English word with a number of different meanings[16].

It will be interesting to see how wide an interpretation the Chinese dispute resolution body will adopt for the term ‘lawful trademark rights’ in the Rules. Under Chinese laws, citizens in China enjoy rights to their names. Anyone who fraudulently uses or passes-off their names and causing loss will be treated as infringing their rights to their names[17]. Based on these Chinese laws, it appears that the Chinese dispute resolution body can interpret ‘personality rights’ as ‘lawful trademark rights’ under the Rules.

### **2.3 Confusingly Similar**

On the second criterion of ‘confusingly similar’ required under the Rules, some case law decisions in other jurisdictions might be relevant to China. In the United Kingdom, this issue arose in the recent case of *Avnet Inc v Isoact Ltd*[18]. In the *Avnet* case, the plaintiff was a distributor of electronic components and computer software and registered a trademark ‘Avnet’. The defendant, on the other hand, was an Internet Service Provider that used a domain name ‘avnet.co.uk’. The plaintiff commenced proceedings against the defendant, arguing that there would be confusion over the word ‘avnet’ on the Internet with:

‘search engines and the like producing the wrong Avnet. A person looking for them might either give up or somehow get into some other sort of muddle’[19].

Jacob, however, disagreed with the plaintiff. He took the view that a customer:

‘could see immediately that he is not getting an advertisement for semiconductor chips and the like, but things to do with aviation instead’.

Jacob also noted:

‘It is a general problem of the Internet that it works on words alone and not words relating to goods or services. So, whenever anyone searches for a word even if a searcher is looking for the word in one context, he will, or may find, Web pages or data in a wholly different context. This may be an important matter for the courts to take into account in considering trade mark and like problems’[20].

By contrast, the US adopted a more straightforward interpretation of the term ‘confusingly similar’. In the US case of *Northern Light Technology, Inc. v Northern Lights Club*[21], Woodcock briefly discussed the legislative history of the US Anti-Cybersquatting Consumer Protection Act (ACPA)[22]. He held that the term ‘confusingly similar’ in the ACPA merely required the court to compare directly the domain name and the alleged offensive trademark[23], not the traditional and more comprehensive trademark infringement test of ‘likelihood of confusion’. In the same judgment, Woodcock also elaborated the test of ‘likelihood of confusion’. Eight assessment criteria were laid down for the same, namely, similarity of marks, similarity of goods (or services), relationship between the parties’ advertising, classes of prospective purchasers, evidence of actual confusion, defendant’s intent in adopting the mark, and strength of the mark[24].

So what interpretation will the Chinese dispute resolution body adopt for the term ‘confusingly similar’? The US approach seems to be preferable because it enables the Chinese dispute resolution body to determine domain name disputes in a speedy manner, which is compatible with the ‘expedient resolution’ goal of the Rules.

## **2.4 Using the Domain Name**

In the Rules, the complainant needs to prove that the respondent registers and uses the domain name in bad faith. The term ‘use’ is defined in the Rules to mean putting the domain name into operation, using it as a code to denote an Internet address, and through the Internet system directing Internet users to a specific website. If the domain name is only used to identify an entity, product, or website but not as a code to denote an Internet address, then under the Rules the domain name is not regarded as being used[25].

It is clear from the Rules that the word ‘use’ connotes an active use or an operational use of the domain name to direct Internet users to a website. If a domain name holder merely registers a domain name and does not use it to direct Internet users to websites in China, the domain name holder is not regarded as ‘using’ the domain name under the Rules. In other words, a domain name holder can register a trademark belonging to others as a domain name, and so long as he does not actively use the domain name to direct Internet users to websites in China, he is not in breach of the Rules. However, the interests of the trademark owner are still prejudiced under these circumstances because he cannot register the trademark as a domain name.

The approach adopted by China in the Rules is in sharp contrast to the approach adopted in other jurisdictions. For example, in the famous English case of *Marks & Spencer Plc. v One in a Million Ltd. & Others*[26], the defendant registered many names of famous companies as domain names, such as: ‘Ladbroke.com’; ‘sainsbury.com’; ‘sainsburys.com’; ‘marksandspencer.com’; ‘markspencer.co.uk’; ‘cellnet.net’; ‘bt.org’; ‘virgin.org’; ‘britishtelecom.co.uk’; ‘britishtelecom.net’; ‘britishtelecom.org’; and ‘britishtelecom.com’. The defendant sought to sell them to such companies as Marks & Spencer Plc., J. Sainsbury Plc., Virgin Enterprises Ltd., British Telecommunications Plc. and Ladbroke Plc. The defendant argued that it had never ‘used’ the domain names.

However, the English Court of Appeal rejected this argument. In the Court of Appeal judgment, Aldous held that:

‘I am not satisfied that section 10(3) does require the use to be trade mark as use or confusing use, but I am prepared to assume it does. Upon that basis I am of the view that threats to infringe have been established. The appellants seek to sell the domain names that are confusingly similar to registered trademarks. The trademarks indicate origin. That is the purpose for which they were registered. Further, they will be used in relation to the services provided by the registrant who trades in domain names’[27].

Similarly, in the US case of Panavision International, L.P. v Dennis Toeppen[28], the defendant registered the domain name ‘Panavision.com’ and attempted to resell it to the plaintiff. In the Court of Appeal judgment, Thomas Circuit J. held that the defendant’s ‘commercial use’ was his attempt to sell the trademark itself[29].

The issue of ‘use’ was also raised in many UDRP decisions. In the case of World Wrestling Entertainment Inc v Bosman[30], the respondent, Bosman, registered the domain name ‘worldwrestling.com’ and then offered to sell the domain name to the World Wrestling Federation (WWF). The WWF commenced proceedings on the basis that Bosman had registered a domain name identical to its trademark and used the domain name without having any legitimate interest in it. Eventually, the panel ruled that Bosman’s offer of the domain name to the WWF revealed that his:

‘primary purpose in registering the domain name was to sell, rent, or otherwise transfer it to the complainant for a valuable consideration in excess of [his] out of pocket expenses’[31].

On that basis, and on the authority of such US decisions as Panavision International, L.P. v Dennis Toeppen[32] and Intermatic Inc. v Toeppen[33], the panel held that Bosman had ‘used’ the domain name in bad faith and ordered the transfer of the domain name ‘worldwrestling.com’ to the WWF.

In the case of Telstra Corp Ltd. v Nuclear Marshmallows[34], the panel further clarified the meaning of the term ‘use’ under the UDRP. The complainant in this case (Telstra) was the largest telecommunications company in Australia and operated a website with the domain name ‘telstra.com’. The respondent, Nuclear Marshmallows (NM), registered the domain name ‘Telstra.org’ but unlike the Bosman case, NM did not offer to sell the domain name after registering the domain name. Eventually, the panel held that:

‘The relevant issue is not whether the respondent is undertaking a positive action in bad faith in relation to the acting in bad faith but whether, in all circumstances of the case, it can be said that the respondent is acting in bad faith. The distinction between undertaking a positive action in bad faith and acting in bad faith may seem a rather fine distinction, but it is an important one. The significance of the distinction is that the concept of a domain name being used in bad faith is not limited to positive action, inaction is within the concept. In other

words, it is possible, in certain circumstances, for inactivity by the respondent to amount to the domain name being used in bad faith'[35].

If we compare the meaning of the term 'use' as defined under the Rules and in the One and A Million and Telstra cases, then we can easily see that the term is given a very restrictive interpretation in the Rules. While such a restrictive interpretation is beneficial to domain name holders in dispute proceedings with trademark owners, it also enables some unscrupulous people to register other people's trademarks as domain names without breaching the Rules. Perhaps China will amend its definition of the term 'use' to bring it in line with the interpretation adopted in the One in A Million and Telstra decisions.

## **2.5 In Bad Faith**

Another difficult issue to be determined under the Rules is finding the intention of 'bad faith' by the complainant. In the Rules, evidence proving 'bad faith' includes the following three circumstances:

- The domain name holder has offered to sell the domain name for a price unreasonably higher than the expenses it paid for registering the domain name and the price was profit-oriented;
- The domain name holder registers the domain name not so much for using the domain name itself but rather, to prevent the trademark owner from using its own trademark as its domain name;
- The domain name holder has induced and misled Internet users to visit the domain name holder's website or other online address by deliberately creating confusion with the mark in which the complainant enjoys trademark rights so as to make profits[36].

This definition of 'bad faith' is very similar to its counterpart in the UDRP. Under the latter, evidence of bad faith includes, but is not limited to, the following four circumstances.

- The domain name was registered or acquired primarily for the purpose of selling, renting or otherwise transferring it for valuable consideration in excess of expenses for obtaining the domain name;
- The domain name was registered to prevent the trademark owner from reflecting its mark in its domain name;
- The domain name was registered primarily for the purpose of disrupting the business of a competitor;
- The domain name was intentionally used to attempt to attract, for commercial gain, Internet users to the website of the domain name holder or



other online location, by creating a likelihood of confusion with the complainant's mark as the source, sponsorship, affiliation, or endorsement of its website or location or of a product or service on its website or location [37].

In the Telstra case mentioned above, the panel pointed out that the circumstances set out for bad faith in the UDRP did not constitute an exhaustive list[38]. In that case, the panel held that the respondent's passive holding of the domain name amounted to 'in bad faith', based on a set of unique circumstances. These included the good reputation and publicity generated by the complainant's trademark; no actual or contemplated good faith use by the respondent of the domain name; and the concealment of the respondent's true identity by giving false details when registering the domain name[39].

The Telstra case is therefore important because it clarifies why the circumstances of 'bad faith' as stated in the UDRP Rules are not exhaustive. The decision makes it much easier for trademark owners to satisfy the 'bad faith' requirement of the UDRP. If the Chinese dispute resolution body adopts a similar interpretation for the term 'bad faith', it will facilitate the ability of trademark owners in China to commence proceedings under the Rules.

## **2.6 Legitimate Interests of Domain Name Owners**

In order to defend under the Rules, the domain name owners can argue that they are not acting in 'bad faith' under the following three circumstances:

- The domain name holders have legitimate rights or interests in the mark that constitutes the domain name.
- The domain name holders have already begun to use the domain name in a legitimate manner, or use a mark identical to the domain name to provide goods or services in good faith. They have thereby obtained a certain degree of publicity before receiving the notice of dispute on the domain name from trademark owners.
- The complaints made by the complainants constitute 'reverse domain name hijacking'[40].

Similar provisions also appear in the UDRP. Under the latter, a domain name owner can demonstrate his rights or legitimate interests to the domain name by proving any one or more of the following circumstances.

- The domain name holder used or demonstrated preparations to use, the domain name or a name corresponding to the domain name, in connection with bona fide offering of goods or services before receiving any notice of the dispute.

- The domain name holder has been commonly known by the domain name, even if the domain name holder have acquired no trademark or service mark rights.
- The domain name holder is making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark[41].

The Rules, however, are different from the UDRP in providing ‘reverse domain name hijacking’ as additional ground for proving lack of ‘bad faith’. ‘Reverse domain name hijacking’ refers to an action by a company or an individual, usually well established and with substantial financial means, attempting to take away a domain name from another company or individual by threatening to begin legal proceedings against the latter. Under the UDRP Rules, ‘reverse domain name hijacking’ is defined as:

‘using the Policy in bad faith to attempt to deprive a registered domain-name holder of a domain name’[42].

There are some recent UDRP cases that ruled on the issue of ‘reverse domain name hijacking’. In the case of Goldline International, Inc. v Gold Line[43], the complainant was the owner of the trademark ‘Goldline’ dealt in precious metals and coins with a service mark ‘Goldline’ providing information on the price and market value of precious metals and coins. The respondent was an individual operating a business under the business name ‘Gold Line Internet’ with a registered domain name ‘goldline.com’. In the Goldline case, the respondent claimed that the complainant attempted ‘reverse domain name hijacking’. The panel ruled that the complainant should have known that the respondent’s registration of the domain name ‘goldline.com’ could not have constituted ‘bad faith’ under the UDRP. The panel also ruled that the respondent notified the complainant of the relevant facts prior to the UDRP proceedings. On such basis, the panel held that the complainant engaged in ‘reverse domain name hijacking’.

In the case of Deutsche Welle v DiamondWare Limited[44], the complainant was a German-based television and radio broadcasting company operating under the acronym ‘DW’ and owning various trademarks comprising or including, as part of a device, the letters ‘DW’. The respondent was a US-based software development company trading operating under the acronym ‘DW’ and operating an active website with a domain name ‘dw.com’. In the DiamondWare case, the panel ruled against the complainant for two reasons:

First, because the respondent registered the domain name ‘dw.com’ prior to the complainant registering its trademarks. They ruled that the complainant, upon discovery of that registration, should have known that the registration of the domain name was unlikely to have been undertaken primarily for any ‘bad faith’ purpose directed at the complainant.

Secondly, it ruled in favor of the respondent because the domain name was used in relation to an active website and the bona fide business of the respondent. On

this basis, the panel ruled by a majority decision that the complainant attempted ‘reverse domain name hijacking’ under the UDRP.

Under the Rules, the term ‘reverse domain name hijacking’ is defined to mean a trademark holder using the domain name dispute resolution procedure in bad faith, with the intention of depriving a legitimate domain name holder of its domain name. This definition applies to the following three circumstances:

- The registration and use of the disputed domain name do not involve bad faith. Alternatively, they do not cause any prejudicial effect for the registered trademark or its holder; or the effects merely reflect ordinary commercial competition.
- The complainant registered a completely different domain name prior to registration of the domain name about which it complains, and the complainant fails to provide convincing evidence to explain why it did not register the disputed domain name.
- The disputed domain name was registered, the trademark belonging to the complainant was not registered in China, and was not recognized as a ‘well-known trademark’ in China[45]. As one can see, this definition of ‘reverse domain name hijacking’ is much more detailed than its counterpart under the UDRP.

This elaborate interpretation of the term ‘reverse domain name hijacking’ represents an improvement of the Rules over the UDRP. It enables domain name owners in China to protect their lawful rights in the case of ‘reverse domain name hijacking’ by some trademark owners. In fact, many academics in the United States, like Osborn (2000) and Walker (2000), criticized the UDRP because it does not adequately address this issue.

## **2.7 The ‘Damage’ Requirement**

Unlike the UDRP, the Chinese Rules impose an additional ‘damage’ criterion for commencing proceedings. Thus, the Rules increase the burden of proof on the part of the complainant more than its UDRP counterpart. On the one hand, this damage criterion discourages those complainants who suffer no damage from commencing proceedings under the Rules, thereby preventing their abuse of proceedings. However, it may be too costly and time consuming to substantiate this damage requirement. This consequence is inconsistent with one of the goals of the Rules, namely, to provide a speedy and inexpensive procedure for trademark owners to ‘recover’ a domain name from cybersquatters.

Furthermore, the damage requirement may have the unintended effect of discouraging trademark owners from using the Rules. If a trademark owner can substantiate his claim for damages, he may opt for proceedings under the Trademark Law of the People’s Republic of China (PRC Trademark Law)[46]. In doing so, the trademark owner can ask

the domain name holder to stop infringing his trademark, i.e., stop holding and using the domain name. At the same time, he can claim compensation for damages suffered[47]. Under the Rules, the Chinese dispute resolution body can order the cancellation and transfer of registration of the domain name, but it cannot award damages[48]. Thus, if the trademark owner can prove damages, it may be tactically superior to proceed under the PRC Trademark Law, rather than the Rules.

However, this damage requirement is ‘exempted’ for ‘well-known’ trademarks under the Rules[49]. In other words, if a trademark owner can establish that its trademark is a well-known trademark under Chinese law, it is not necessary for the trademark owner to prove damages before he can commence proceedings under the Rules. Since most cybersquatters target well-known trademarks, such an exemption enables the owners of well-known trademarks to commence proceedings under the Rules in a speedy manner, without having to waste time gathering evidence to substantiate this damage requirement. On the other hand, this exemption clearly indicates that Chinese policymakers deliberately use the damage requirement to discourage owners of other trademarks from instituting proceedings under the Rules if they suffer no actual damage.

### **3. Remedies for the Complainant**

As previously mentioned, the Chinese dispute resolution body can only resolve a domain name dispute by either canceling or transferring the registration of the domain name[50]. In other words, the Chinese dispute resolution body cannot award damages to the complainant under the Rules. Consequently, it will be interesting to see whether any trademark owner in China will attempt to commence proceedings under the PRC Trademark Law and the Rules concurrently. In the US case of *Broadbridge Media, L.L.C. v HyperCD.com*[51], the court ruled that a trademark owner may concurrently commence arbitration proceeding under the UDRP and litigation proceedings under US trademark law[52].

Under the Rules, the parties can before the commencement of proceedings under the Rules, or in the course of proceedings under the Rules, or after a decision is made under the Rules, commence proceedings in the Chinese courts with respect to the same domain name dispute[53]. If China adopts an interpretation similar to the *Broadbridge* case, many trademark owners in China will be able to use the ‘combined’ procedure, namely, employing the Rules to reclaim the domain name in a speedy manner while making a claim for compensation and other remedies under the PRC Trademark Law. If this interpretation is adopted, trademark owners in China will be put in a very advantaged position vis-à-vis domain name owners.

### **4. Time Limitation for Filing Complaints**

Under the Rules, the Chinese dispute resolution body will not entertain complaints made two years after their implementation if the domain names were registered before its implementation. Furthermore, the Chinese dispute resolution body will not entertain complaints made with respect to those domain names registered after implementation of

the Rules if the complaints are made more than two years from the date of their registration[54]. This rule is unique to China and there is no equivalent provision under the UDRP.

However, such time limitation did not apply to ‘well-known trademarks’[55]. Under the Chinese laws ‘well-known trademarks’ refer to those trademarks well known to the public. They do not need to be registered with Trademark Office in China to enjoy legal protection under Chinese law. However, their owners must establish their reputation to the satisfaction of the Trademark Office in China before they can acquire the status of ‘well-known trademarks’ under Chinese laws[56]. As the time limitation does not apply to ‘well-known trademarks’, their owners can commence proceedings under the Rules at any time when they discover that their well-known trademarks are registered by unlawful third parties as domain names. Since well-known trademarks are natural targets of cybersquatters in China, it is understandable that the Rules accord their owners a higher degree of protection than they do for other trademark owners.

In my view, the time limitation clause represents another improvement of the Rules over the UDRP. It puts pressure on trademark owners to take prompt action against domain name holders otherwise their proceedings under the Rules will be time-barred. At the same time, it prevents trademark owners in China from attempting ‘reverse domain name hijacking’ of domain names registered a long time ago. Thus, the imposition of such a time limitation should diminish the number of cybersquatters and reverse domain name hijackers. This should be beneficial to the development of electronic commerce in China.

## **5. The Chinese Dispute Resolution Body**

The China International Economic and Trade Arbitration Commission (CIETAC) is the first Chinese dispute resolution body approved by the CNNIC for dealing with Chinese domain name disputes under the Rules. The CIETAC also promulgated a set of Regulations called Domain Name Dispute Resolution Procedures and Regulations to handle Chinese domain name disputes under the Rules[57].

As yet, no other body, apart from the CIETAC, is authorized by the CNNIC to handle Chinese domain name disputes. In future, as Chinese domain name disputes become increasingly common, domain name dispute resolution bodies in China should also gradually grow.

## **6. Merits and Demerits of the Rules**

The Rules undoubtedly provide an effective means of resolving domain name disputes in China. As a form of alternative dispute resolution procedure, the Rules are more flexible than proceedings under the PRC Trademark Law. The parties can dispense with many of the formal court processes and court documents that are required in court proceedings. They therefore represent a new approach to resolving disputes arising from the Internet that ‘corresponds with the communication speed and economic efficiency of the Internet itself’ (Halpern & Mehrotra, 2000).

Second, the costs of proceedings under the Rules are relatively low compared with proceedings under the PRC Trademark Law. In the case of domain name court litigation, smaller companies are usually in a disadvantaged position because they lack the financial means to contest court proceedings against large companies, even if they enjoy lawful rights to a domain name (Osborn, 2000). Thus, the Rules benefit small businessmen in China by providing an alternative procedure to assert their domain name rights at a lower cost[58].

Moreover, many cybersquatters offer to sell registered domain names to their rightful owners at a 'nuisance value'. [59] Namely, the price offered by the cybersquatters is lower than the legal costs of a fighting a cybersquatting lawsuit in court but at the same time, is much higher than the costs of registering the domain name. In the past, the rightful owners were inclined to pay the cybersquatters for the domain name based on simple 'cost-and-benefit' analysis (Walker, 2000). As the legal costs involved in claiming a domain name are reduced substantially, the Rules give economic incentives to the rightful owners to commence proceedings to claim their domain names.

Third, proceedings under the Rules save time compared with proceedings under the PRC Trademark Law. The time factor is very important in domain name disputes. Once a domain name similar or identical to a trademark is registered and used by an cybersquatter, the lawful trademark owner will start to suffer losses, in terms of potential customers and business opportunities. The longer the domain disputes lasts, the larger the losses the trademark owner will suffer. For instance, more customers will go to the wrong website, unable to contact the lawful trademark owner. Instead of customers entering into online contracts with the trademark holders, customers may end up contracting with the cybersquatters. The lawful trademark holders may also suffer loss of business goodwill as customers will attribute any unprofessional services or substandard products ordered through the wrong website to the lawful trademark owners. Thus, the longer the domain name battles ensue, the more pressure are exerted on the trademark owners to concede to the requests of the cybersquatters, however unreasonable they are. For example, expedience may force the lawful trademark holders to purchase the domain names at an unreasonably high price (Walker, 2000).

However, the Rules are not without limitations and problems. First, they are confined to dealing with bad faith registration and use of domain names and not to other types of domain name disputes. Thus, they do not apply to domain name disputes between two legitimate trademark owners competing for the same domain name. For example, in the English case of *Pitman Training Limited v Nominet UK* [60], both parties lawfully used the trading name 'PITMAN' and competed to use the domain name 'pitman.co.uk'. If similar disputes arise in China, the parties cannot use the Rules to resolve which entity can own and use the domain name. The scope of the Rules is therefore largely restricted to one kind of domain name dispute, namely, cybersquatting cases.

The Rules are particularly inadequate in dealing with 'reverse domain name hijacking'. Under the Rules, domain name owners can only use 'reverse domain name hijacking' to prove that they had no bad faith in registering the domain names. However, they cannot

use it to make a counterclaim against the trademark owners. In other words, under the Rules 'reverse domain name hijacking' can only be used as a shield, but not as a sword.

Moreover, the Chinese dispute resolution body cannot impose any sanction on the complainant for attempting reverse domain name hijacking under the Rules. In contrast, the panel under the UDRP can declare that a complaint abuses the administrative proceedings if there is reverse domain name hijacking[61]. In the United States, many academics like Osborn (2000) and Walker (2000) have called for the scope of the UDRP to be expanded in order to address the issue of reverse domain name hijacking with more remedies for domain name owners. It remains to be seen whether China will amend the Rules to increase sanctions on the complainants for attempting reverse domain name hijacking and to increase the range of remedies available to domain name owners.

The Rules are likely to be biased toward trademark owners in their implementation. In the United States, Halpern and Mehrotra (2000) similarly criticized the UDRP, on which the Rules were modeled. In the first year of implementation, 1,700 cases were decided under the UDRP. Of these, 1349 cases were decided in favor of the complainant, i.e., the trademark owners, and the domain names registered in these cases were ordered to be transferred to the complainants or cancelled, while only 338 decisions were decided in favor of the respondents, i.e., domain name holders. In other words, trademark owners won 79.4% of the cases while domain name owners won only 19.9% of the cases (ICANN, 2000). This empirically confirms the bias of the UDRP toward trademark owners. In a recent report[62], Mueller (2000) even found that some panels interpreted the UDRP in ways that favor trademark owners, rather than by adhering to the strict language of the UDRP. It remains to be seen whether and to what extent the Chinese dispute resolution body will favor trademark owners in China.

The remedies available to trademark owners under the Rules are limited. Under the Rules, the complainant can only ask for either cancellation or transfer of registration of the domain name[63]. Thus, the complainant cannot apply for compensation under the Rules. However, if a complainant commences proceedings under the PRC Trademark Law, it can apply for a wide range of relief including a cessation of the infringing acts and compensation[64]. Thus, if a trademark owner wants to apply for legal remedies other than cancellation and transfer of registration of the domain name, the owner may prefer to commence proceedings under the PRC Trademark Law, rather than under the Rules.

If a respondent is dissatisfied with a decision made under the Rules, they can institute court or arbitration proceedings with respect to the same domain name dispute[65]. Then the complainant may opt for proceedings under the PRC Trademark Law because it is likely that the respondent will 'appeal' any unfavorable decision made under the Rules.

Finally, the Rules only focus on the competing commercial interests of domain name holders and trademark holders, and they give inadequate consideration to the interests of other Internet users in China, particularly those in the non-commercial sectors. For example, if an Internet user in China registers a domain name for future non-commercial purposes, its choice of domain names may be limited. Such Internet users will avoid those domain names that are identical or similar to the trademarks registered and owned by

large Chinese commercial companies to avoid possible proceedings under the Rules. Moreover, some trademark owners in China may use the Rules to challenge some domain names that are not used for commercial purpose. Will the Rules affect the Chinese community's incentives to register domain names or to set up websites? Will the flow of information and the development of an Information Society in China be prejudiced? These issues suggest that the Chinese policymakers fail to give adequate consideration to the interests of the Internet users in China at large in adopting the Rules. As Mark Lemley aptly points out:

‘it is important that trademarks not be transformed from rights against unfair competition to rights to control language’ [66].

## **7. Conclusion**

As electronic commerce continues to develop in China, Chinese domain names will increasingly be an important asset of companies conducting online business. It is therefore essential for China to develop a legal framework to regulate domain name disputes that may arise from the competing interests of domain name owners and trademark owners. Moreover, China needs to curb the proliferation of cybersquatters, which can affect the healthy development of electronic commerce in China. To this end, the Rules represent an important step in the right direction.

The Rules, however, have a few problems, such as their restrictive scope, limited range of remedies, bias towards trademark owners and inadequate consideration of the interests of ‘non-commercial’ Internet users in China. It is hoped that after the Rules are implemented for a few years, policymakers in China will consider amending the Rules to mitigate, if not solve, these problems. Only in this way can China develop a domain name dispute resolution procedure that is balanced and fair to all interested parties.

## **Footnotes**

1. An English translation of the Rules is available at China Law and Practice, Vol 14, No.10, at pp19-24. Also see Appendix.
2. For examples of ‘cybersquatting’ in these countries, see the English case of Marks & Spencer Plc v One in a Million Ltd & Others [1999] F.S.R.1 and the US case of Panavision International, L.P. v Dennis Toeppen, 141 F.3d 1316.
3. See Xue Hong and Zheng Chengsi, Software Protection in China (Hong Kong: Sweet and Maxwell, 1998), at p.392.
4. A Chinese summary of the IKEA case is available at <<http://www.chinaiprlaw/alfx/alfx39.htm>>.
5. Rule 2(1), the Rules.



6. The ICANN was a non-profit body formed in 1998 to assume responsibility for domain name management system. For more information of the ICAAN, see <<http://www.icann.org/general/abouticann.htm>>.

7. For a full version of the UDRP, see <<http://www.icann.org/udrp/udrp-policy-htm>>.

8. For a full version of the UDRP Rules, see <<http://www.icann.org/udrp/udrp-rules-24oct99.htm>>.

9. Rule 7, the Rules.

10. See Para 4(a), the UDRP.

11. Case No.D2000-0235. Available at <<http://arbitrator.wipo.int/domains/decisions/html/d2000-0235.html>>.

12. File No.0002 000093633. In the Cedar case, a complainant was held to have common law trademark rights in a trading name on the ground that the complainant used the trading name for four years and invested considerable time and effort in establishing the trading name.

13. Note 11 above, at para 6.12.

14. Case No. D2000-0596.

15. Ibid, at para 6.1 to 6.4.

16. Ibid. at para 6.5.

17. See Article 99, General Principles of Civil Law of the PRC (‘General Principles’ ) and Para 141, Opinion on implementation of General Principles issued by the Supreme People’s Court of China.

18. [1998] FSR 16 (Ch D).

19. Ibid, p.18.

20. Ibid.

21. 97 F. Supp. 2d 96.

22. Pub.L.No.106-113 (1999).The Anticybersquatting Consumer Protection Act was a statute passed by the United State in 1999 to deal with ‘cybersquatting’ specifically.

23. Note 21 above, at p.117.

24. See ibid, at p.109.

25. Rule 11, the Rules.

26. [1999] F.S.R. 1

27. Ibid, at p.25.

28. 141 F.3d 1316.

29. Ibid, at p.1325.

30. Case No.D99-0001. Available at <<http://arbiter.wipo.int/domains/decisions/html/99-0001.html>>. For a discussion of the case, see Rachel Montagnon, ‘ Computers - WIPO resolves dispute over Worldwrestlingfederation.dom’ domain name - the first case to be decided under the new ICANN uniform domain name dispute policy.’ European Intellectual Property Review 2000 22(3), at N37-38.

31. Para 4b, the UDRP.

32. 141 F.3d 1316 (9th Cir.1998).

33. 947 F.Supp. 1227 (N.D. Ill.1996).

34. Case No.D2000-0003. Available at <<http://arbiter.wipo.int/domains/decisions/html/d2000-0003.html>>. For a discussion of the case, see D Kovacs, ‘WIPO: Computers & Databases Domain Names Bad Faith’ in European Intellectual Property Review 2000, Vol. 22 (6) at N89-90.

35. Ibid, at para 7.9.

36. Rule 8, the Rules.

37. See Para 4b, the UDRP.

38. Case No.D2000-0003, at para 7.10.

39. Ibid, at para 7.11.

40. Rule 9, the Rules.

41. See Para 4c, UDRP.

42. See Rule 1, UDRP Rules.

43. Case No.D2000-1151. Available at <<http://arbiter.wipo.int/domains/decisions/html/2000d2000-1151.html>>

44. Case No.D2000-1202.Available at  
<<http://arbiter.wipo.int/domains/decisions/html/d2000-1202.html>>

45. Rule 10, the Rules.

46. For an English translation of the PRC Trademark Law, see Zheng Chengsi, Intellectual Property Enforcement in China (Hong Kong: Sweet and Maxwell, 1997) at pp.199-206.

47. Under Article 39 of the PRC Trademark Law, if the exclusive right to a registered trademark is infringed, the trademark owner can commence proceedings in the Chinese courts to stop the infringing act and claim compensation.

48. Rule 16, the Rules.

49. Rule 7, the Rules.

50. Rule 16, the Rules.

51. 106 F. Supp.2d 505.

52. Ibid, at p 508.

53. Rule 17, the Rules.

54. Rule 2(2), the Rules.

55. Ibid.

56. For a full elaboration of the concept of ‘well-known trademarks’ under Chinese laws, see Peter Feng, Intellectual Property in China (Hong Kong: Sweet and Maxwell, 1999), at pp.296-298.

57.A full Chinese version of the Regulations is available at  
<<http://www.cnnic.net.cn/daily/2001-1/5-6.shtml>>

58. For similar comment on the UDRP, see Jason M Osborn, ‘Effective and complementary solutions to domain name disputes: ICANN’s Uniform Domain Name Dispute Resolution Policy and the Federal Anticybersquatting Consumer Protection Act of 1999’, 76 Notre Dame Law Review, 209.

59. For a full elaboration of the concept of ‘nuisance value’, see Luke A. Walker, ‘ICANN’s Uniform Domain Name Dispute Resolution Policy’, 15 Berkeley Technology Law Journal 289.

60. [1997] F.S.R. 797 (Ch.D.).

61. Rule 15, the UDRP Rules.

62. Milton Mueller, 'Rough Justice - An analysis of ICANN's Uniform Dispute Resolution Policy'. Available at <<http://dcc.syr.edu/report.htm>>.

63. Rule 16, the Rules.

64. See Article 39, PRC Trademark Law.

65. Rule 17, the Rules.

66. Mark A. Lemley, 'The Modern Lanham Act and the Death of Common Sense' 108 Yale Law Review 1687 (1999).

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