

To the Chief Judge of the Beijing High Court:

Regarding: IKEA Inter-systems Inc. vs. Beijing Cinet Co. Ltd.

The INTA herewith respectfully submits this information to the Beijing High Court, Intellectual Property Tribunal, in the hope of assisting on issues of domain name registration and cybersquatting.

I. Identity and Expertise of INTA

The INTA is a 122 year-old not-for-profit organization with member companies and Trademark professionals from 120 nations around the world. The association is dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of commerce. The association was originally founded in 1878 as the United States Trademark Association (*USTA*), in part to encourage the enactment of U.S. federal trademark legislation, and since that time has been instrumental in providing assistance to U.S. legislators in connection with each subsequent trademark act, or amendment thereof. In 1993, the USTA became the International Trade Mark Association (INTA) to reflect its global scope and membership. Its membership of over 3900 is global and crosses all industry lines, including manufacturers and retailers in industries ranging from aerospace to consumer goods.

INTA members are interested in the development of clear and consistent principles of trademark and unfair competition law around the world. INTA has been an official non-governmental observer to the World Intellectual Property Organisation (“WIPO”) since 1979, and actively participates in all trademark related proposals. INTA has been involved in WIPO trademark initiatives such as the Madrid Protocol and is active in other international arenas including APEC, FTAA, WTO, NAFTA, and GATT. INTA’s membership is varied and extensive: it is a balanced and reliable representative body. INTA’s international character brings a global approach to the issues at stake.

During the on-going international debate on the future of the domain name assignment system, INTA has served as the primary voice of trademark owners around the globe, ensuring that their trademarks are protected. The Association's members and staff are regular participants at meetings for the Internet Corporation for Assigned Names and Numbers (ICANN), the not-for-profit corporation that administers the domain name system (DNS). INTA also routinely submits position papers and offers responses to ICANN's requests for comments concerning changes to DNS policy, including the creation of the ICANN Uniform Dispute Resolution Policy (UDRP) and the creation of new top-level domains (TLDs). INTA’s members identified the problem of cybersquatting in 1995, and recognizing the ease with which third parties could usurp or even damage the good will of a trademark, INTA’s Board of Directors adopted a Resolution addressing the issue in September of 1995.

Since 1916, INTA has acted in the capacity of advisor and has appeared as *amicus curiae* (“friend of the court”) in the U.S.¹ and in other jurisdictions². INTA presents itself as a “friend of the court” in this matter, and is not a party to the instant case, but believes that this case is significant to the international development of the Internet and trademark law.

INTA herewith respectfully submits this paper in the hope that it may assist the court by sharing the experience of this multinational group of trademark owners and experts.

2. Background on Cybersquatting

In this large and tangled web of the Internet called “cyberspace” the most common way for consumers to find what they are looking for is to type in a domain name containing the name of the brand or company they are looking for. In China a domain name has at least two key parts: the second level domain (such as .com or .gov) and the third level domain, which often is the

¹ INTA has filed the following amicus briefs before the United States Supreme Court and other Federal Courts: *Traffix Devices, Inc. v. Marketing Displays, Inc.*, S.Ct. Case No. 99-1571 (currently under consideration by the Supreme Court); *Major League Baseball Players Association v. Cardtoons, L.C.*, S.Ct. Case No. 00-39 (currently on petition for certiorari to the Supreme Court); *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, S.Ct. Case No. 99-150 (March 22, 2000); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 119 S. Ct. 2219 (1999); *Dickinson v. Zurko*, 119 S. Ct. 1816 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *WarnerVision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Conopco, Inc. v. May Dep’t Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Comm’n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff’d*, 440 U.S. 941 (1979).

² Cases outside of the US in which INTA has filed affidavits include: *McDonald’s Corporation v. DAX Properties CC and JoBurgers Drive Inn Restaurants (PTY) Limited, Supreme Court of South Africa (Durban and Coast Local Division)*; and *Heublein Inc. v. Appeals Chamber of Rospatent, Moscow City Court, Russia*.

familiar name that describes the product, service, or topic that the web site addresses.

With the emergence of the Internet as an advertising forum, recruiting mechanism, and marketplace for products and services, companies doing business online have a strong desire to acquire domain names that are easy to remember and that relate to their products, trade names or trademarks. For example, owners of famous trademarks, such as Haier, typically register their trademarks as domain names, such as www.haier.com. This kind of identification is essential to any business, both to conduct commerce on the Internet and to advertise and educate the public about a company's products. It serves to reassure the consuming public that they are communicating with the intended source of goods and that they can make their purchases with the confidence that they are obtaining the genuine goods they are seeking from a known and reliable source.

The natural connection between trademarks and domain names has been exploited by some who have registered the trademarks of others as domain names and then tried to sell those domain names back to the trademark owners or third parties at a high profit. Known as "cybersquatting" in English, it describes someone sitting on the property of another. The first cybersquatting case arose in 1994, and cases have multiplied around the world since then, leading courts to consider the relationship between trademarks and domain names. In one of the early cases, a U.S. court found that the offer to sell a domain name in the U.S. was "use in commerce" and therefore constituted trademark use. Thus the court

found that such an offer to sell a domain name to the owner of an identical or similar trademark was a trademark infringement.³

Recently, authorities in India, the United Kingdom, Taiwan, Italy, Germany, and the USA, among other jurisdictions, have ruled that the act of registering a domain name similar to or identical with a famous trademark is an act of unfair competition whereby the domain name registrant takes unfair advantage of the fame of the trademark to either increase traffic to the domain, or to seize a potential asset of the trademark owner in the hope that the trademark owner will pay the registrant to relinquish the domain name.

In India, the court ruled in favor of the trademark rights of US based Yahoo Inc., against a local company which had registered YahooIndia.com. The court found that Yahooindia was an intentional effort to trade on the fame of the Yahoo trademark.⁴ In the United Kingdom, a British court ruled that where the value of the domain name consists solely of its resemblance to the trademark of another, the Court can assume likelihood of confusion, and thus find unfair competition.⁵ The Court found that the registrant of many domain names similar to famous marks had committed a “deliberate practice...with clear intent to deceive people” as the registrant had no legitimate use for the domain names. On Taiwan, the Fair Trade Committee has ruled that the registrant of carrefour.com had violated the rules against unfair competition by registering a

³ *Intermatic Inc. v. Toeppen*, 947 Fed. Supp. 1227 (N.D. Ill. 1996)

⁴ *Yahoo! Inc. Vs. Akash Arora*, 1999 (2) AD (Delhi) 229.

⁵ See *Marks and Spencer and Others v. One in a Million and Others*, (High Court of Justice, Chancery Div. 11/28/1997, 1998 FSR 265), also *British Telecommunications v. One in a Million*, Court of Appeal, Civil Div. 98/0092-95B.

domain name which was identical to the famous business name of another, which had no connection to the name or business of registrant, and of which registrant had made no use.⁶

Most cases which rule in favor of the trademark owner find that the domain registrant has acted without intent to make use of the domain name as intended by the domain registration system. The absence of such intent is generally called “bad faith”, although many courts simply note the objective facts, such as that a domain registrant owns an inventory of domain names which closely resemble famous marks and which are not being used for any commerce other than the potential sale of the domain name to the trademark owner.

The ICANN UDRP sets a standard of “bad faith” defining it as, “...acquiring the domain name primarily for the purpose of selling, renting or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark...” or registering the domain name in order to prevent the owner of the trademark from using the domain name, or by creating a likelihood of confusion with a trademark owner for commercial gain.⁷

In 1999, the World Intellectual Property Organization drafted international standards for resolving disputes over domain names. Those standards became the basis for the ICANN Uniform Dispute Resolution Policy, on which China’s Internet administration body, CNNIC, has based its own draft rules. CNNIC recognizes the special position of famous trademarks, and endeavors to protect

⁶ Fair Trade Committee (89) Gong Zhu Zi No. 036.

⁷ ICANN Uniform Domain Name Dispute Resolution Policy, implemented October 24, 1999, Section 4.b.

them, and currently has a draft Internet Domain Name Dispute Resolution Policy based on the WIPO standards, which recognizes the special value of famous trademarks.⁸ In addition to the CNNIC Internet Domain Name Dispute Resolution Policy, China has several laws and regulations currently in force which prohibit usurpation of the trademark of another.

3. Relevant Facts in the Instant Case

In the instant case, the Beijing Intermediate Court found that Beijing Cinet registered the domain name www.ikea.com.cn, along with approximately 2500 other domain names, including many famous trademarks, such as DUPONT, POLO, OMEGA, PHILIPS, HERTZ, BOSS, CARTIER, ROLEX, MARRIOTT, BACARDI, ADIDAS, DUNHILL, LANCOME, CARLSBERG, AMEX, DKNY, QVC, EBAY, etc. The court found that Cinet's domain name registration violates the rights of Holland Inter IKEA Systems, B. V. ("IKEA"). The many domain names registered by Cinet are not part of Cinet's name, nor do they bear any relation to Cinet's name or business or the trademarks of Cinet. The Beijing Intermediate Court found that Cinet intended to sell the names to others, which supported the court's conclusion that Cinet had no legitimate business purpose in owning the domain names.

Without explaining how it arrived at the myriad other domains registered by Cinet, Cinet claimed that it had independently created the "Ikea" name, but

⁸ Article 2 of the draft Regulations: The domain name dispute resolution institution will not accept any dispute filed against a domain name registered before the effective date of the Policy after two years from the effective date. And the institution will not accept any disputes filed against domain names registered after the effective date of the Policy and after two years from the registration date of such domain name, except where the object of protection is a famous mark.

provided no evidence that it had ever made any use of the domain prior to commencement of the court action. The court found Cinet's story of its independent creation not credible, and ordered Cinet to immediately withdraw its registration of the domain name.

However, a review of the www.ikea.com.cn website indicates that Cinet continues to expand the website⁹, even though it still is but a sham site. Cinet is further expanding the site so that it can persuade the Court that it has a legitimate business intention. However, Cinet did not begin to develop the website until after initiation of the legal action, so its evidence that its use of IKEA is not related to goods bearing the IKEA mark is irrelevant. The fact that Cinet continues to expand the site, apparently after the Beijing Intermediate Court ordered the domain name cancelled, shows Cinet's contempt for the authority of the Court.

4. China's laws Prohibit Commercial Disorder and Provide Sufficient Bases to Prohibit Cybersquatting

China's existing statutory structure provides sufficient basis for ordering termination of Beijing Cinet's registration of IKEA as a domain name. There are regulations on registration of domain names, the Anti-Unfair Competition Law,

⁹ Attached print-outs from the website show that as of August 25, the site had been greatly improved and expanded over the print-outs Cinet provided to the Beijing Intermediate Court during the trial. This shows that Cinet has continued to build up the IKEA site, without providing any services, simply for the purpose of supporting its argument that it has a legitimate business purpose and enhancing the idea that it independently created the Ikea name. However, such expansion, after the trial, does not prove that Cinet had a legitimate business use before the legal action.

the Trademark Law, and the Paris Convention, as well as the Civil Code, which all provide a basis for preventing Beijing Cinet's registration of "Ikea.com.cn."

A. China's Internet Regulations

The Provisional Regulations on Domain Name Registration on the Internet issued by the State Council's Information Office on May 30, 1997, ("Provisional Regulations") stipulate that one cannot use the name of another enterprise or registered trademark of another in China as one's third level domain name.¹⁰ Beijing Cinet's portfolio of international trademarks registered in China clearly violates China's Regulations.¹¹

In addition, according to Article 23 of the Regulations, once the owner of a registered trademark or enterprise name files an action against the usurper, and the owner's trademark or enterprise name registration is verified by the relevant authorities, CNNIC shall cancel the name immediately.¹² The Intermediate Court reviewed the facts, weighed the evidence, and found Cinet had acted improperly under China's laws and regulations.

¹⁰ Provisional Regulations on Domain Name Registration, Article 11, Item 5: No one is allowed to use the name of another enterprise or registered trademark of another in China as their third level domain name.

¹¹ In addition to the Provisional Regulations on Domain Name Registration, China has draft Regulations on Domain Name Registration Dispute Resolution ("Draft Regulations"). Those draft regulations clearly provide that registration of a trademark belonging to another, where there is no connection between the business or name or trademarks of the registrant will be considered to be invalid.

¹² Provisional Regulations, Article 23 states that once the owner of a registered trademark or enterprise name files an action against the usurper, and the owner's ownership of trademark or enterprise name is verified by the relevant authorities, CNNIC will hold the domain name for 30 days from the date of verification, and after 30 days the service for such domain name will

B. China's Anti-Unfair Competition Law

Courts around the world have been dealing with the problem of cybersquatters, and the clear trend is to find they have violated laws prohibiting unfair competition.¹³ Some cases have specifically found that the presence of a top level domain, or country code, does not prevent a finding of unfair competition against a foreign trademark.¹⁴

i) The Beijing High Court's Guidance Opinion

The Beijing High Court issued a Guidance Opinion Regarding Trial of Intellectual Property Civil Lawsuits Arising from Use and Registration of Domain Names on August 15, 2000 ("Guidance Opinion"). The Guidance Opinion directs its judges and the judges of lower courts to review a domain registrant's actions to determine whether a domain name was improperly registered, and to apply the Anti-Unfair Competition Law and Civil Code to cases of malicious registration of a domain name similar or identical to a famous trademark or business name.¹⁵

automatically terminate.

¹³ *Supra*, Marks and Spencer and Others v. One in a Million and Others, Carrefour vs. Yi Chi Co., Ltd., Yahoo Inc. vs. Akash Akora.

¹⁴ *Supra*, Yahoo! Inc. Vs. Akash Arora, 1999 (2) AD (Delhi) 229. In addition, an Italian Court has ruled that the mere addition of a national top level domain suffix does not eliminate the infringing character of a domain name identical to a famous trademark. Diane Cabell, Berkman Fellow at Harvard Law School, at www.mama-tech.com/foreign.html (visited September 6, 2000), reports on an Italian case for passing off, unfair competition and infringement of the trademark and trade name of "Amadeus" against an Italian company which had registered www.amadeus.com.it. "The civil court (Tribunale) of Milan has ruled a localized TLD suffix (.it) does not give sufficient distinctiveness to a domain name to avoid charges of passing off since it represents the mere localization of the host server."

¹⁵ Guidance Opinion, Article 4: The Malicious registration of another person's or company's famous mark as one's domain name violates principles of good faith and commercial ethics, and constitutes unfair competition. The Civil Code and Anti-Unfair Competition Law shall apply.

In particular, the Guidance Opinion sets a three-part test to evaluate whether a registrant has registered a domain name improperly. The test directs a court to review the similarity of the domain name to a business name or trademark, the existing prior use of the name by the domain name registrant, and whether the domain name registrant acted in bad faith. The Guidance Opinion specifically directs a court to find bad faith where the defendant offered to sell the domain name to the trademark owner, or where the defendant has prevented the trademark owner from registering its own trademark as a domain name, or where the web-site misleads others by confusing the domain name with the trademark.¹⁶ Cinet has registered a domain name identical to the IKEA mark and business name, Cinet's name and business have no connection to or prior use in the IKEA name, and Cinet has acted in bad faith, by offering to sell the domain name to IKEA, as well as by preventing IKEA from registering the domain itself. Cinet's registration of numerous other trademarks belonging to other companies shows that Cinet has acted maliciously on a grand scale. Cinet is just the type of domain name registrant to which the Guidance Opinion is directed.

¹⁶ Id, Article 5: Whether a malicious registration will be found depends on the following three tests:

- The domain name is identical to the business name or mark or has significant likelihood of causing confusion with the name or mark;
- The registered domain name holder has no other prior existing rights in the mark; and
- The holder of the domain name registered and used it in bad faith. "Bad faith" means that the holder of the registered domain name engages in the following activities:
 - Offer to sell, lease or transfer the domain name to the trademark owner for financial gain;
 - Mislead others to enter into its website or other on-line services for gaining profits by confusing the domain name with the name or mark;
 - Stop others from registering their own trademarks or trade names as their domain name; or
 - Register the domain name for the purposes of damaging others' commercial reputation.

ii) China's Anti-Unfair Competition Law

China's Anti-Unfair Competition Law, Article 9, stipulates that no one shall use advertising or other methods to mislead others as to the quality, composition, function, usage, producer, duration of efficacy or place of production of any commodity. Beijing Cinet has willfully violated this article as the only trade significance of IKEA is the stores and products of IKEA. IKEA has established that the IKEA name has no meaning and was derived from the initials of IKEA's founder and the initials of his hometown. Beijing Cinet cannot show that it had used the name or website to conduct any business prior to the legal action.

Beijing Cinet's domain name misleads consumers to associate the Cinet site with the products and services of IKEA. The site draws consumers who would be looking for the goods and services marked IKEA. Cinet's use of the IKEA trademark in its domain name causes consumer confusion. Furthermore, as IKEA is a famous trademark and IKEA has an international business reputation, Cinet's use of IKEA for its domain name dilutes the strength of the IKEA mark. Cinet had no evidence to support its claimed fair use of the domain name prior to IKEA's instituting legal action.

C. China's Trademark Law and the Paris Convention

China's Trademark Law prohibits use of the trademark of another. It is clear that domain names can be used as or confused with designators for the source of goods. Furthermore, as China has acceded to the Paris Convention, it

has an obligation to protect famous trademarks.¹⁷ IKEA established to the Beijing Intermediate Court that IKEA is a famous trademark. Thus it should be protected from infringement, whether that infringement be in print, over broadcast air-waves, or the internet.

D. China's Civil Code

Since each domain name is unique, Cinet has prevented IKEA, or its Chinese subsidiary from registering the domain name that Chinese consumers would most likely use when searching for IKEA brand products. Under China's Civil Code, Article 4, "Civil activities must observe the principles of volition, fairness, consideration and good faith." Articles 5 and 118 provide that benefits and rights of one party should not be usurped by another, and that such usurpation shall be prohibited.¹⁸ Cinet is thus preventing IKEA's Chinese subsidiary from enjoying a right and benefit to be expected from China's domain registration system.

¹⁷ Paris Convention, Article 10: "The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. The following in particular shall be prohibited: Indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods."

¹⁸ Civil Code, Article 5: Legal civil benefits and rights of citizen or juristic persons shall be protected by laws, and no organization or individual is not allowed to infringe such benefits and rights.

Civil Code, Article 118: If a copyright, patent right, exclusive trademark right, discovery right, invention right, or any other achievement right of science and technology owned by a citizen or juristic person are infringed upon, including from plagiarism, distortion or counterfeiting, etc., the owner has the right to require the infringer to cease infringement, eliminate the harm, and compensate for damages.

E. MOU on GTLDs

According to the Memorandum of Understanding (“MOU”) on General Top Level Domain Names under the Internet Domain Name System initiated by the International Telecommunications Union, the owner of a famous trademark has an absolute priority to register its famous trademark as a domain name under the top-level domain name. China executed the MOU on July 15, 1997, and the provisional Regulations are a step towards the enforcement of the MOU.

5. Conclusion

Under China’s laws and regulations, the trademark IKEA should be protected from infringement by Beijing Cinet. This Court’s Guidance Opinion directs the proper analysis under the Anti-Unfair Competition Law and the Civil Code. In addition, the Provisional Regulations on Domain Name Registration, as well as the Trademark Law, the Paris Convention, and the MOU on GTLDs, all compel a finding consistent with the Beijing Intermediate Court’s decision that Cinet improperly made use of IKEA’s trademark. The Beijing Intermediate Court correctly determined that Beijing Cinet had improperly infringed the IKEA trademark by registering the domain name www.ikea.com.cn.

Respectfully submitted by the
International Trademark Association

Alan Drewsen, Executive Director
October 10, 2000