

# Chinese Domain Name Registrations and Your Business

□ By Jannik Skou



29.8% is expected to continue for years to come. Chinese people simply love their mobile phones and PCs to such an extent that TV is no longer the most popular entertainment and information channel.

In other words, to reach Chinese consumers or business partners, you need to be available and easily accessible on the Internet. That means: Chinese websites with Chinese content using .cn domain names.

As more than 60% of Chinese internet users access the internet via mobile phones, having the right Chinese domain names and wireless key word has become more vital than ever. Mobile internet users, especially those that are still unfamiliar with the internet, are more likely to search on the internet by guessing on a domain name (direct navigation) containing the company name and the service they look for or simply stating a generic term, describing what they are looking for. The broadband speed in China lacks behind the speed in Europe. The slow speed causes impatience for Chinese mobile internet users. Instead of waiting for a search engine result and then having to choose from multiple links, many users simply type in a domain name or a wireless key word to save time and money when searching on the internet.

Needless to say, you still need to be careful and protect your intellectual property online, and therefore international companies are advised to proactively register .cn domain names for their brands, company names, and

trademarks in China. A general domain name strategy advice for international companies who are either already doing business in China or are just considering to do business in China would be to seek to register your company name under “.cn.” and “.com.cn.” Depending on your IPR strategy and brand strategy, it may also be advisable to protect your products, slogans, and trademarks as domain names under “.cn” and “.com.cn” as well. A famous mark may also be protected and promoted through wireless key words, or even under one or more of the 34 regional second level domain names such as “.bj.cn” for Beijing or “.sh.cn” for Shanghai.

Until December 14, 2009, registering a domain name in China was a straightforward process of submitting an online application form with your preferred registrar and paying for the domain name with your credit card. A few minutes later, your .cn domain name – provided it was available – would be successfully registered and ready to use.

## This is no longer the case

New strict regulations for registering .cn domain names

As of December 14, 2009, the Chinese domain name registry authority, CNNIC, which is under the Ministry of Industry and Information Technology (MIIT), has significantly restricted the rules for registering domain names under .cn.

Since December 14, the following rules apply:

- Only Chinese companies can

**W**ith Chinese-language websites expected to begin using a new.中国 domain later this year, brand owners who need to reach Chinese internet users have a cheap and efficient tool to reach Chinese consumers, Jannik Skou reports.

The double-digit growth in China's economy is reflected in the rapid growth of internet users in China. The number of internet users in China has reached an astonishing 384 million, of which 233 million (or 60%) are accessing the internet via their mobile phones. In fact, each fourth global internet user is now Chinese, and thanks to the heavy investments in 3G services, last year's growth rate of

register .cn domain names. If you have a subsidiary in China in which you have a majority ownership, you still qualify to register .cn domain names, as long as your Chinese subsidiary is the registrant of the .cn domain names and as long as you insert a Chinese citizen as the contact person for the registration.

• CNNIC requires the following documents:

- Application form with business seal of the applicant company
- Copy of business certificate in China (plus a “Certificate of Organization Code”)
- Copy of passport of registrant contact person in China (must be a citizen of China)

These documents are to be submitted within five days of the electronic application submission by your domain name registrar; otherwise the application will be cancelled, and you would have to start over by filling in and sealing a new application form, and by having your registrar submit a new registration request to CNNIC resubmitting the necessary documents.

At this moment, it is uncertain when MIIT/CNNIC will again allow foreign enterprises to register .cn domain names. According to .cn accredited registrar Key-Systems, CNNIC has explained the necessity to stop foreign companies and organizations from registering .cn domains by referring to the fact that they have no procedure at hand for validating foreign business certificates and contact person ID. CNNIC says they are still working on a solution that will enable them to validate these non-Chinese registrant data. However, since mid-January, foreign companies have not been allowed to register .cn domain names.

To international companies this is both good news and bad news. The good news is that it has become significantly more difficult for cybersquatters and other online criminals to infringe on your IP rights in China. The bad news is that it has become a lot more troublesome and expensive for international companies to register and operate .cn domain names.

It is still possible to register .cn domain

names through your international registrar, as long as your subsidiary in China is the registrant of the .cn domain name. After a short period in January, where CNNIC, due to an immense workload related to the validation of the required documents (CNNIC has had to hire a staff of 600 people just to validate domain name registrations), were not accepting any registrations from foreign registrars at all, this is now possible again.

What happens to my .cn domain name that I have registered before December 14, 2009?

As to domain names registered prior to December 14, 2009, according to Key-Systems, so far CNNIC has not given any indication that they will apply the same restrictions in terms of demanding local presence or providing copies of business certificates or the like. However, as CNNIC has just recently with only two days notice implemented such drastic changes, you are advised to ask your current registrar to keep an eye on the developments in the .cn regulations, as it may happen that they will require a transfer of ownership or a registrant update to a Chinese company.

Why have the regulations for .cn domain name registrations been restricted?

In December 2009, MIIT declared to take action against illegal activity, in particular the distribution of pornography to mobile phone internet users under .cn domain names.

The announcement followed a critical TV report in Chinese Central Television CCTV on December 9, where the lack of control mechanisms for registration of .cn domain names was criticized. The TV station linked the fake registrant details for a large number of .cn domain names to websites showing pornographic content.

As the registration process, despite the requirement to use correct registrant contact data, was completely automated and no evidence of correct registrant data were required nor audited, Chinese authorities had limited means to prosecute those registrants using fake registrant data, and the TV station therefore argued that there was a need to clear the registrant data of .cn domain names.



These audits have led to the deletion of millions of .cn domain names and websites. As a result the number of registered .cn domain names has declined from 13.5 million in December 2009 to only 8.25 million in late April 2010.



Shortly after, MIIT explains its decision to increase the activities against pornography on the internet. In addition to the new strict registration requirements, MIIT invested in an intense audit to investigate for correct registrant data and for illegal content on existing .cn websites. These audits have led to the deletion of millions of .cn domain names and websites. As a result the number of registered .cn domain names has declined from 13.5 million in December 2009 to only 8.25 million in late April 2010.

New TLD name for “中国” expected to launch in August 2010

Domain names consist of maximum 63 characters including the letters A-Z, numbers 0-9, and the “-”. In some generic top level domains and in some country code top level domains, local – or “internationalized” so called “IDN” – characters have been allowed as well. For example, while coca-cola.com is a standard domain name, 可口可乐.com is an example of an IDN domain name.

So far, the IDN Domain Names have been limited to the “second level” (in this case “可口可乐”) and the top level, (in this case “.com”) would have to be in Latin script.

## This is now changing.

In October 2009 ICANN, the non-profit organization governing the domain name system, approved the introduction of so called “internationalized country code top level domains” (IDN ccTLDs). This decision was a major turning point in the history of the internet, as for the first time domain names in other scripts than Latin are becoming available later this year.

In a world where more than half of the global internet users speak languages using scripts other than Latin, this new technology enabling top level domain names in scripts such as Chinese, Cyrillic, Arabic, etc. will eventually make the internet easily accessible to all people.

Alongside other countries such as Russia, Saudi Arabia and Thailand, China has applied for a country code top level domain name in its own script: “.中国” meaning “.china.”

What is the status of .中国 (.china) ?

On June 25, the .china application passed the last phase of ICANN’s evaluation and is expected to be launched already in August this year.

What will happen when .中国 is launched?

There is little doubt that Chinese authorities are doing all they can to promote the new .中国 top level domain name. According to CNNIC, the new .中国 top level domain will make it easier for those one billion Chinese citizens who are currently not using the internet to access the internet as they will not have to be able to master Latin characters and key boards. In addition, the new .中国 top level domain will enable Chinese people to use email addresses in Chinese script; generally, the new .china top level domain is expected to support and promote Chinese content on Chinese websites. Thus, Chinese authorities hope that the new top level domain can help bridge the gap between the modern East of China and the more rural West of China, where far fewer people have access to the internet.

All Chinese public websites and email addresses are expected to be using the new .中国 domain, which will support the

launch and the success of the new .china TLD.

For international businesses small and large, the new .china TLD will be a cheap and efficient way to reach the Chinese consumers in their own language.

What will be the rules for registering .中国 domain names?

The regulations and rules for registering .china domain names are not yet made public. However, CNNIC states that registrants of existing domain names with “Chinese characters + .cn” automatically will be granted the equivalent Chinese variant in the new .china top level domain name (both in simplified and traditional Chinese).

It is also expected that a registration of a .china domain name in simplified Chinese will automatically give access to the same domain name translated into traditional Chinese and vice versa.

It is unknown whether there will be a pre-application round (a so-called “sunrise period”) for owners of Chinese trademarks or company names. Given the latest developments in the current .cn domain name regulations, it is a possible scenario that the .china top level domain name will only be available to Chinese companies and citizens. However, this is still unknown.

## What to do

As the new .china domain name is expected over time to become as popular as “.cn” and “.com.cn”, it is recommended that companies who plan to or already operate in China:

- a) find a domain name registrar that offers .cn domain names
- b) follow domain registrar newsletters on the launch of .china
- c) apply in sunrise periods referring to your trademark numbers. If local presence will be required and if you do not have a subsidiary in China, you may consider using a trustee or “local presence” service where, for example, a Chinese law firm or a trusted Chinese business partner will operate as the registrant of your .china domain names
- d) monitor for potential infringing applications under relevant new gTLDs

and IDN ccTLDs

e) find a registrar or service provider that offers this service

f) contact your registrar for support and additional guidance

The costs for a .china domain name are expected to be the same as for .cn domain names today.

A foreign registrar should be able to offer a .china domain name for USD 50 to USD 100. There may be additional costs related to a sunrise period which typically are in the range of USD 250 to USD 500.

New generic top level domains expected to be launched in 2012

In addition to the new country code top level domain names such as .china, ICANN is also planning to introduce a series of new “generic top level domain names” (gTLDs).

Today we are familiar with generic top level domain names such as .com, .net, .org, .biz, .info, and .asia. Next year, ICANN will invite interested companies, countries, or organization to apply for new gTLDs.

It is expected that more than 300 new gTLDs will be launched in 2012. These new gTLDs can be both in Latin and non-Latin script.

The new gTLDs are expected to fall into the following categories;

- geoTLDs (such as .africa and .lat [for Latin America])
- cityTLDs (such as .berlin, .paris, .london, .roma)
- communityTLDs (such as .gay, .eco, .music, .hotel, .sport)
- generic TLDs (such as .web, .shop, .radio)
- industry TLDs (such as .car, .hotel)
- ethnicTLDs (such as .zulu or .cym [for Wales])
- brandTLDs (such as .canon, .facebook, .visa)
- IDN TLDs (such as .com in Chinese or maybe .shop in Japanese script)

How may this affect the domain name strategy of international corporations operating in China? Can I get one?

Most companies will have to carefully analyze if the benefits of applying for your own generic top level domain name; “.company” or even; “.companyname IN-

CHINESE-SCRIPT” will be worth the expected costs. In addition to ICANN’s application fee of USD 185,000 and their yearly SLA fee of USD 25,000, one must plan to spend at least another USD300,000 for consulting and marketing costs in the application process and at least a similar amount each year for operating and promoting such a company TLD. This will most likely be an exercise primarily for global brands such as Canon, the first brand which has published its ambition to apply for its own “.canon” top level domain.

So if you cannot get one or it does not make sense, why should I pay attention to yet more top level domain names?

As the new gTLDs can both express a connection to a local geographical area – be it a city or a region – these new gTLDs potentially may change the way internet users search for information, as may it change the algorithms of the largest search engines, which today tend to favour a ccTLD such as .cn over a .com domain if you search for websites related to China.

So, if I am living in the province of Sichuan and am searching for a hairdresser on the internet, it may make more sense for me to search for “hairdresser.sichuan” or “理髮師.四川省” than to search for a “.china” or a “.cn” website. I would have little interest in knowing

about hairdressers in far away places as Beijing or Shanghai. Or I might consider searching for a website under “.hair.” In other words, you should keep track on the development of the domain name space and especially keep an eye on the launch of new “geo” or “industry” top level domains with relevance for your business both in- and outside of China.

The applications for new gTLDs will be made public presumably early next year and are expected to launch in 2012.

How to protect my intellectual properties under all these new generic top level domains?

In case you are interested in applying for a domain name in one of the new generic top level domains (i.e. “trademark.car” if you are in the automotive industry), you will have a chance to apply for your domain name in a pre-launch period for trademark and other rights holders. This will increase your chance of registering your domain name, and minimize the risk of cybersquatting, once the new gTLD (i.e. “.car”) is made available to the general public.

In addition you may also consider investing in a domain name monitoring service that would alert you in case somebody is registering a domain name in the new gTLDs, and this domain name is violating your intellectual property rights. As domain name registrations (except

for sunrise phases) are based on the “first-come-first-served” principle, it is recommended to proactively register those domain names you either consider to use at a later stage, or that you would not like others to register, provided, of course, that you do not infringe on others’ rights.

Since only few companies will be able to afford a global defensive domain name registration policy, considering the large expected number of new top level domain names, it is recommended to focus more on monitoring for infringements.

### Lower costs associated with enforcement

ICANN is requiring the new gTLD registry operators to offer a “Uniform Rapid Suspension” service, which will lower the costs for filing a complaint against a registrant of an infringing domain name as well as reduce the processing time of the domain name disputes.

So in essence it is recommended that international companies:

- a) Keep an eye on new interesting geoTLDs, citiTLDs and industryTLDs,
- b) Once new gTLDs are launched, apply for “trademark.TLD” in the sunrise phase, and
- c) Monitor for potentially infringing domain name registrations in other new gTLDs. **IP**

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