

CONTENTS

08 NEWS

FEATURES

- 16 Voices from China Brand Festival
- 19 How to Operate a Brand through Domain Name Strategy
— A Dialogue with Domain Name Expert Jannik Skou
- 21 The Story of 永和 Soybean Milk

ENTERPRISES' IP

- 24 Innovation is the Soul of Founder Group
- 27 ZTE's Global Patent Deployment

SPECIAL REPORT

- 30 Urgent Requirement for Legislation on Trademark Parallel Importation
- 32 Practices and Controversies of Trademark Parallel Importation in China
- 36 Trademark Infringement in Connection with Parallel Importation
- 40 Overview of Regulations on Parallel Importation in China
— From the Perspective of Trademark Parallel Importation

CASE ANALYSIS

- 44 Deciding the Infringement Liabilities on an Electronic Device Manufacturer
- 47 Judicial Determination of Plant Variety Rights Infringement
- 50 Criteria of Infringement Liabilities on E-Commerce Service Providers
— A Copyright Infringement Case: China Friendship Publishing Company v. Zhejiang Taobao Network Co., Ltd.



Parallel importation has been regarded as an archaic topic in the areas of international trade and intellectual property (IP) rights. Despite years of theoretical debates and national legal practices, no consensus has yet been reached as to how to respond.

30



In recent years, three well-known cases, namely, the "Lux soap case," "AN'GE clothing case" and the "Michelin tire case," have not only related to disputes over parallel importation in the trademark field, but also led to judicial proceedings.

32

CONTENTS



INTERVIEW

- 56 Kodak's Strategic Transformation and Brand Revitalization
— An Interview with Xu Silin, Chief Representative of
Kodak (China) Investment Company Limited

COLUMN

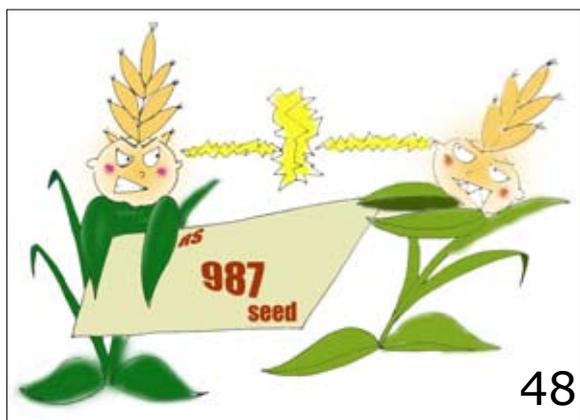
- 59 IP Ambush of Listed Companies
60 A Preliminary Study of the Legal Nature of
Prior Art Defense
— A Discussion of Article 62 of the New *Patent Law*
65 Transition Issues on the *Guidelines for Patent Examination*

GLOBAL IP

- 68 The Olanzapine Case and Its Implications for Novelty
of Chemical-substance Patents in Europe
71 Fast-Tracking Green Technology in UK

IP Q'S & A'S

77 DIRECTORY OF SERVICE



How to Operate a Brand through Domain Name Strategy

— A Dialogue with Domain Name Expert Jannik Skou

□ By Sarah Luo, *China IP*

The launch of *.中国* Top Level Domain (TLD) this year is a milestone in Internet history. On August 25, 2010, a report concerned with China's domain name service and security status was issued. The report pointed out that China has about a million domain name servers; more than 50% are not safe. According to the statistics published by CNNIC, the amount of *.cn* users is declining while that of *.com* is seeing a sharp increase. Mr. Skou shared with us his understanding on current domain name questions raised by *China IP*.

Q: What are the problems brought with the emergence of *.中国* TLD?

A: It is common knowledge that local cultures and traditions play an important role in the interaction between brands and their customers. I personally believe it will take a few years, until the new *.中国* will really be the most dominant and searched for TLD. Simply, Chinese netizens are already familiar with and used to entering Latin characters at the first level. Maybe a *.中国* key on the keyboard would help accelerate the success of the new TLD. The success of the new *.中国* will depend on a number of factors such as; How will the browsers (such as IE, Firefox, Opera etc.) support *.中国*? It appears all major browsers are already supporting the new TLD without Netizens having to install specific software or plug-ins. Also, how will the large search engines such as Baidu, Eastnet, Google, Bing, Yahoo! etc. rank the *.中国* TLD? If they will give it a higher ranking than *.cn* or *.com*, this will support the success of the new TLD. Furthermore, the mobile phone



and smart phone producers, as well as the key board and laptop producers play a role. If they make it easy to switch between Roman and Chinese characters when browsing the Internet or when sending Emails, the *.中国* will profit tremendously from such features.

Lastly, the domain name registration policy of CNNIC play a key role in the potential success of *.中国*. I believe that the current rules to some extent may obstruct the success of the *.中国* TLD. The requirements simply make it difficult for private persons as well as for foreign entities to register the new *.中国* and this fact may lead to a situation, where Netizens find fewer interesting *.中国* websites than

websites under other less restricted TLDs such as *.com*, *.net*, or *.asia*.

Q: What are the commonalities and difference in domain protection between China and foreign countries?

A: In terms of domain name protection, the domain name dispute resolution policies in China and in most other countries are based on the following common principles:

1. Your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights.

2. You have no rights or legitimate interests with respect to the domain name.

3. Your domain name has been registered and is being used in bad faith.

In the administrative proceeding, the complainant must prove that each of these three elements are present.

The main difference between the domain name dispute resolution practices in China and most other Western countries is the Chinese “two-year-rule” for *.cn* domain name disputes. If a domain name has been registered for more than two years, a complainant cannot go to arbitration, and must take the domain name dispute to court instead. Obviously, many Western brand owners would like the CNNIC to remove this rule, as they often do not discover the infringing domain names within two years and also, in some cases, need a few months to investigate and prepare the case before actually filing the complaint to either of the two *.cn* arbitration centers.

Q: What's your definition to a “domain strategy”?

A: A domain strategy is an overall plan on how to achieve the 3 strategic goals of the usage of domain names:

1. Visibility (Marketing);
2. Protection of Intellectual Property Rights (Legal); and
3. Security (IT).

Thus, a B2B machinery component manufacturer would have a need for less domain names, less monitoring and enforcement than a B2C global brand selling and promoting their services Online. Certain industries are facing larger challenges in all three areas: Marketing, Legal, and IT. For instance travel agencies are facing huge competition in terms of search engine rankings and generic domain names related to their industry (*i.e. travel.com, gotochina.com*), as are banks having to register a number of defensive domain names in order to protect their customers from online fraud attempts. Likewise, large brands need to protect their *.com* addresses with additional “typodomains” simply to avoid the risk of losing mistyped emails meant for them and not for the registrant of a “typo domain name.”

Typically, a domain name strategy consists of a description of overall goals and responsibilities. A domain name policy document made accessible to all employees on the Intranet of a corporation may very well determine such issues as:

Who is in charge of the domain name strategy?

In which TLDs do we register domain names?

Which variants of spelling (singular/plural) do we register?

How do we check that we are not ourselves infringing on third party rights?

How to activate the domain names?

How to monitor for and react upon infringing domain name registrations, websites, social media, blogs etc.

Q: Suppose that “.brand” TLD is opened, what details need to be concerned for a corporation to protect its online IP and promote its brand publicity?

A: There is no doubt that the ICANN will eventually open the generic top level domain name space to hundreds of

new applicants. The question is when. It appears that the the ICANN will seek to settle the remaining open issues related to the new generic top level domain (gTLD) programme this autumn, then launch a new version of the Draft Applicant Guidebook (the regulations for the introduction of new gTLDs) prior to the next ICANN meeting in Columbia, December 2010 and finally publish and approve the final version of the Applicant Guidebook at the ICANN meeting in San Francisco next spring. If that assumption is correct, ICANN will then open the application window in the second or the third quarter of 2011. In other words, we will see the first batch of new gTLDs at the beginning of 2012 and most of them in 2013.

As a brand owner, one should analyze, if and how a *.brand* TLD could benefit the company from a marketing and business development perspective. It will vary a lot from industry to industry and from business strategy to business strategy, whether such a *.brand* TLD is recommendable. But it is not for everyone. Costs alone – it is estimated the application and launch will initially cost in the neighborhood of USD 400,000 to 1,000,000 and the yearly costs around USD 200,000 plus additional marketing costs and internal resources – will exclude more or less all SMEs and thus *.brands* will be an adventure purely for large brand owners.

If promoted and used in a smart way, a *.brand* could be a very good investment for large brands. In the banking industry a safe *.brand* TLD zone can be established. It will not be possible to “typosquat” or “cybersquat” under first level domain names, as the registration policy can be restricting the registration only to the brand owner or their affiliates. A more aggressive usage of a *.brand* TLD would be to allow customers or fans to register domain names and email addresses under *.brand* and in this way promote the brand to their friends and peers. Even customer IDs, user names, logins, serial numbers etc. can be constructed under a new *.brand* TLD and increase the customer service and safety surrounding brand

products.

In addition to a cost benefit analysis, all large brand owners should make a risk analysis from an IP perspective. What is the risk that somebody else may register a *.brand* TLD which is identical to or similar to my brand? As opposed to trademarks, where the same name can coexist in different classes, there can only be one string for a top level domain. First come first serve. Obviously there are thorough and efficient Right Protection Mechanisms (RPMs) in place so that anyone can object to the publication of new gTLD applications once they are submitted to ICANN. A brand owner such as Citibank could therefore obstruct an application by a third party applying for *.Citi* provided, of course, this party has no legitimate right to *.Citi*.

For many brand owners the sharing of their brand names with other companies is a real problem. For instance, who gets *.polo*? Is it Ralph Lauren? Or Volkswagen? In case of multiple applications for the same string (*.brand* or *.city* or *.genericterm*), provided all applicants fulfill the application requirements, the applicants may end up in an auction based bidding process. These bids may turn out to be very expensive. Another risk is that a visually confusingly similar textstring is granted in the first application round.

These are some of the issues a brand owner has to analyze at this stage. Related to these issues are such issues as choice of technical set up, allocation of internal resources, project planning, etc. **IP**



Jannik Skou

Partner at Thomsen
Trampedach
GmbH, Switzerland

Jannik Skou have worked with a number of Fortune 500 and Europe Top 500 companies in the areas of domain name strategy, domain name management, brand protection, investigation, domain name audits and business process optimization.