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Nanjing Yazhi Jewelry Co., Ltd. v. Guangzhou Yuanyi Jewelry Enterprise Co., Ltd.

Citation: The Guangdong Province Higher People's Court's Civil Judgment No. Yuegaominsanzhongzi 323/2004

Date of judgment: September 5, 2005

Procedural history

The Nanjing Yazhi Jewelry Co., Ltd. (Yazhi) sued, in the Guangzhou City Intermediate People's Court, the Guangzhou Yuanyi Jewelry Enterprise Co., Ltd. (Yuanyi) because of a dispute over Internet keyword; Yuanyi made counterclaim. In the first-instance judgment, it was held that Yazhi cyber-squatted the Internet keyword in bad faith and infringed the trademark right. Yazhi appealed to the Guangdong Province Higher People's Court.

Issue

1. Whether an Internet keyword was susceptible to the protection under the law?
2. How to address the relationship between an Internet keyword and the exclusive right to use a registered mark

Facts

Incorporated on May 7, 1993, Yuanyi was the registrant of the mark "Shitouji" (meaning "legend of stone") (the Registration Certificate No. 1057071) used in goods in class 14 from July 21, 1997 to July 20, 2007. On October 12, 1999, Yuanyi obtained the registration of the international domain name www.famousstone.com.

Yazhi was set up on April 28, 1997, and on January 8, 2000, the company concluded a coopera-

tion agreement with Yang Jushun, owner of the Nanjing Shitouji Gift and Packing Products Plant (Shitouji Plant) that the former would proactively increase the market share of the products of the Shitouji Plant by means of advertisement and publicity (including publicity on the Internet).

On January 30, 2000, Yuanyi concluded a contract for marketing alliance with its Nanjing special agency. At the time the legal agent of the latter was Yang Xiaohong, legal representative of Yazhi. On December 18, 2000, Yuanyi notified Yang Xiaohong of terminating the contract due to the latter's breach of the contract.

On December 26, 2001, Yazhi applied for the Internet keyword "shitouji" as a website. From December 26, 2001 to January 8, 2002, said Internet keyword pointed to the Yazhi's website www.njyazhi.com, and later pointed to www.chinafamoustone.com, the website for "Shitouji Ornaments" for which Yang Jushun filed an application for registration on February 1, 2002. The homepage of said website was linked to "Yazhi", so that by clicking "Yazhi," a user was linked to the Yazhi's corporate website.

On December 27, 2001, Yuanyi applied for registration for the Internet keyword "石头记" (Shitouji), only to find that said Internet keyword had been registered by Yazhi, so it filed a complaint with the Domain Name Dispute Resolution Center of the China International Economic and Trade Arbitration Commission. The latter made the award of arbitration that the full-form and simplified Chinese characters "Shitouji" in the Yazhi's registered Internet keyword were to be transferred to Yuanyi. Dissatisfied with the award, Yazhi sued in the Nanjing City Intermediate People's Court, and the case was later transferred to the Guangzhou City Intermediate People's Court. Yuanyi made a counterclaim.

In the first-instance judgment, it was held that the dispute over the Internet keyword could be resolved with reference to the pertinent domain name dispute resolution procedure; Yazhi had obtained the registration of, and used, the Internet keyword "Shitouji" in bad faith; it was an act of cyber-squatting and an infringement of Yuanyi's exclusive right to use said mark.

Yazhi appealed, arguing that while its registered Internet keyword "Shitouji" was identical with

Yuanyi's registered mark, they were used in goods of different classes, and it did not deal in e-commerce, so its act did not constitute trademark infringement.

Rule of law

Article 4 of the Interpretation by the Supreme People's Court of Several Issues Relating to Application of Law to Trial of Civil Cases of Dispute over Computer Network Domain Name *Where a case of domain name dispute it handles falls under the following circumstances, the people's court shall determine that the defendant's act to register or use the domain name constitutes an infringement or unfair competition:*

- (1) the civil rights and interests which the plaintiff seeks to protect are legitimate and valid;*
- (2) the defendant's domain name or the main part thereof constitutes a reproduction, imitation, translation or transliteration of the plaintiff's well-known mark; or so identical with, or so similar to, the plaintiff's registered mark or domain name that it creates confusion on the part of the relevant sector of the public;*
- (3) the defendant does not enjoy any right or interests in the domain name or the main part thereof, nor has been justified to register or use the domain name; and*
- (4) the defendant registers and uses the domain name in bad faith.*

Article 5, paragraph one (1) and (2) *The defendant's act proves to fall into any one of the following circumstances, the people's court shall determine that it or he has acted in bad faith:*

- (1) registering another person's well-known mark as its or his own domain name for commercial purposes;*
- (2) registering or using, for commercial purposes, a domain name identical with, or similar to, the plaintiff's registered mark or domain name, etc., intentionally creating such confusion with the product or service the plaintiff supplies or the website it hosts so as to mislead the network users to visit its or his website or any other site online ...*

Reasoning

1. Whether an Internet keyword was protected under the law?

The Internet keyword was a newly emerging technology for visiting a website name, used for easy

access to a browser through established correspondence between an Internet keyword and website URL. It had the function and meaning of business representation, and could bring practical benefits to the website registrants. The benefits should be protected under the law.

Given that an Internet keyword and domain name were not obviously different in terms of legal character, the registration administration authority, and elements and grounds of infringement. The Interpretation by the Supreme People's Court of Several Issues Relating to Application of Law to Trial of Civil Cases of Dispute over Computer Network Domain Name could be referred and applied in resolving Internet keyword dispute, establishing infringement, and determining legal liabilities.

2. How to address the relationship between an Internet keyword and the exclusive right to use a registered mark

Whether an Internet keyword infringed the exclusive right to use a registered trademark was determined depending on whether it was used as a trademark in identical or similar goods and whether the use was sufficient to cause confusion on the part of the relevant sector of the public. With an Internet keyword being identical or similar to a registered mark, if the Internet keyword functioned as a trademark, the goods it pointed to was identical with, or similar to, the goods in respect of which the registered mark was used, and it was sufficient to cause confusion on the part of the relevant sector of the public, it should generally be determined that the Internet keyword infringed the exclusive right to use a registered mark; if the goods the Internet keyword pointed to was non-identical with, or dissimilar to, the goods in respect of which the registered mark was used, the registered mark was not well known, nor prejudicial to the interests associated with the well-known mark, the Internet keyword was not generally determined to have infringed the exclusive right to use a registered mark; where the registrant of an Internet keyword was not a business operator, nor was the Internet keyword registered for the purpose of provision of goods, the Internet keyword was generally not held to have infringed the exclusive right to use a registered mark, either.

Yazhi's registration of the Internet keyword in suit infringed the exclusive right to use a registered

mark because (1) Yuanyi's registered mark "Shitouji" was legitimate and valid as the review and adjudication of the mark showed, and should be protected under the law; (2) Yazhi's Internet keyword "Shitouji" was similar to Yuanyi's registered mark "Shitouji", and was sufficient to cause confusion on the part of the relevant sector of the public; (3) the registered mark "Shitouji" had gained certain repute through advertisement and publicity in the jewelry industry in China; Yazhi did not have any evidence to prove its use of "Shitouji" mark in its products or services; nor to prove its name, address, abbreviation, sign, business or other matters relating to "Shitouji", it was not justifiable to claim the prior right of "Shitouji" or obtain the registration of the Internet keyword; and (4) Yang Xiaohong, the legal representative of Yuanyi and once head of the special agency in the region of Nanjing, applied for registration of the Internet keyword "Shitouji" in bad faith while it knew that "Shitouji" was Yuanyi's registered mark.

Holding

1. An Internet keyword should be protected under the law as it could bring practical benefits to its registrant.
2. Article 4 of the Interpretation by the Supreme People's Court of Several Issues Relating to Application of Law to Trial of Civil Cases of Dispute over Computer Network Domain Name should apply to the determination as to whether an Internet keyword had infringed the exclusive right to use the registered mark.