

3 Strategies Used By Chinese Trademark Squatters

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International companies have long encountered problems navigating China's trademark system due to lack of knowledge about China's first-to-file system, trademark squatting, and lax enforcement in cases of trademark infringement. Wrestling a trademark from a bad actor is expensive, difficult and sometimes ultimately unsuccessful. Chinese administrative bodies and courts have historically been unwilling to consider bad faith as a factor in clear acts of trademark squatting, instead focusing on which party has the earlier application filing date.



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The best way to avoid trademark squatting scenarios is to prevent them by filing early, using standard, broad descriptions of goods and services, and filing in as many subclasses or groups as possible. While this strategy can mean forgoing an extension into China from an international application because of the broader description of goods and services, the added protection might well be worth the cost incurred by filing an additional application. For companies selling or producing consumer goods in China, Chinese registration is vital to enforcement. For example, websites such as Taobao.com are subject to Chinese intellectual property laws, so removal of infringing products might well be dependent on presenting Chinese trademark registrations to the site administrators.

Three strategies employed by Chinese trademark squatters, and the best way to prevent each, are outlined below.

1. Individual or Entity Registers the Trademark Earlier Than the Legitimate Trademark Owner

In this scenario, companies are surprised to learn that their mark or marks have already been applied for/registered by a nonrelated party. The squatting application/registration can either be in the rightful owner's native language or the rightful owner's mark translated into Chinese. More often, the party filing the squatting mark files a Chinese-character transliteration of the foreign mark. Transliterations will be described in more detail in the following scenario. China's trademark system does not recognize common law rights in marks established by prior use, unless the mark is considered "well-known." Instead, China's system is based on first to file. This situation is especially troublesome for emerging businesses and startups that might not have the foresight or resources to file their trademark internationally.

The lesson learned from this scenario is to prioritize China in any trademark filing strategy and take advantage of the priority filing date rights available under the Paris Convention. Because China does not require a declaration of bona fide intention to use the mark in commerce and marks are not vulnerable

to cancellation until three years after the date of registration, registration before use is highly recommended. If a rightful trademark owner does not catch the trademark squatter in this situation before the squatter achieves registration, enforcement of the mark might be very difficult.

2. Individual or Entity Registers the Chinese Transliteration of an Existing Foreign-Language Mark

In this scenario, an enterprising individual or business devises the Chinese transliteration of a foreign-language mark, and registers it. One notable example is the well-known, long-fought trademark battle between Michael Jordan and the Chinese sportswear company Qiaodan Sports Co., which registered the Chinese-character transliteration of Michael Jordan's brand, "Jordan." The transliteration, pronounced "chee-ow-dan," has been used in China for over 30 years, and is the namesake of the company and thousands of stores. Michael Jordan has been fighting to cancel the "Qiaodan" trademarks since 2012 and has, for the most part, been unsuccessful until very recently.

In December of 2016, Jordan finally found some success before the Supreme People's Court, which ordered the transliteration of "Jordan" (in Chinese characters) to be canceled, ostensibly leaving the mark open for Jordan himself to obtain. At the basis of the court's ruling was a finding that Michael Jordan was entitled to protection under trademark law because the Chinese characters for "Qiaodan" are commonly used by the Chinese public to refer to Michael Jordan. The ruling was not a total victory for Michael Jordan, as the court also found that Qiaodan Sports Co., was allowed to keep the "Qiaodan" trademark in Roman letters, stating that Chinese consumers did not necessarily associate that particular mark with Michael Jordan's brand.

This scenario illustrates the importance of developing and registering Chinese character transliterations of foreign-language trademarks. Chinese consumers will generally not use English-language names for products, and will instead develop a Chinese transliteration for the product themselves, if a company has not already marketed under a transliteration. If another party registers the Chinese transliteration, a company may have a long fight on their hands, as they will have to prove that Chinese consumers associate that particular transliteration with their brand. Chinese trademark specialists can develop and propose a variety of potential Chinese character marks that are the phonetic equivalent of foreign-language marks for businesses. It is also especially helpful if the transliterated mark suggests a clever or cheeky message in Chinese while sounding similar to the mark pronounced in its native language. For example, the Chinese-character transliteration for Coca-Cola is pronounced "Ko K'ou K'o Le" and means "to permit the mouth to be able to rejoice," and the Chinese transliteration of Nike is "Nai Ke" and means "enduring and preserving." As with the previous scenario, and central to this topic generally, registering transliterated marks early is again the best strategy to prevent protracted trademark battles such as Michael Jordan's.

3. Individual or Entity Registers the Identical Trademark of Others but Different Goods or Services

In this scenario, companies may have diligently registered their mark(s), but are dismayed to find that another party has applied for or registered the exact same mark for different goods and services. Even in cases when a third party has clearly copied an established company's logo, the Chinese Trademark Office is hesitant to grant oppositions where the goods and services are even slightly different, even when the squatted mark is filed in the same class as the legitimate party's mark.

As with the first scenario, filing broad descriptions in as many classes and subgroups as possible is recommended. To avoid nonuse cancellations of registrations covering core business areas, filing additional "defensive" applications with broad descriptions is yet another strategy to prevent or deter

squatters. For logos and design marks, securing Chinese copyright protection of the design is an added tool for enforcement and defense against trademark squatters in situations such as these. Lastly, global or country-specific watch notices are vital for catching trademark squatters who file marks that are exact matches or substantially similar before the marks achieve registration.

Conclusion

Trademark registration in China poses many challenges, especially to Western companies used to establishing trademark rights by first use. However, the Chinese system has moved toward the Western system with the passing of new regulations aimed at cracking down on trademark squatters. As previously discussed, the Michael Jordan case evidences this shift in the latest court ruling. Even with these changes, the best strategy for preventing trademark squatting in China is to: file early, file transliterated marks, and file applications with broad descriptions, including as many classes and subgroups as possible.

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