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BEYOND
ATTORNEYS AT LAW

Trademark Squatting in China

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- **Trademark Squatting**

A real headache

- √ First-to-file system
- √ Factory of the world, big consumer market (expect to be the biggest in 2019)
- √ Trademark applications –over 7 millions in 2018; Valid trademark registrations--around 17 millions by 2018
- √ No penalty for bad faith filings (will change after new amendment).

- **Trademark Squatting**

**The fields with most bad faith filings
(cosmetics; fashion; beverages and foods; wines,
etc.)**

- **Trademark Squatting**

Copy or imitate famous mark



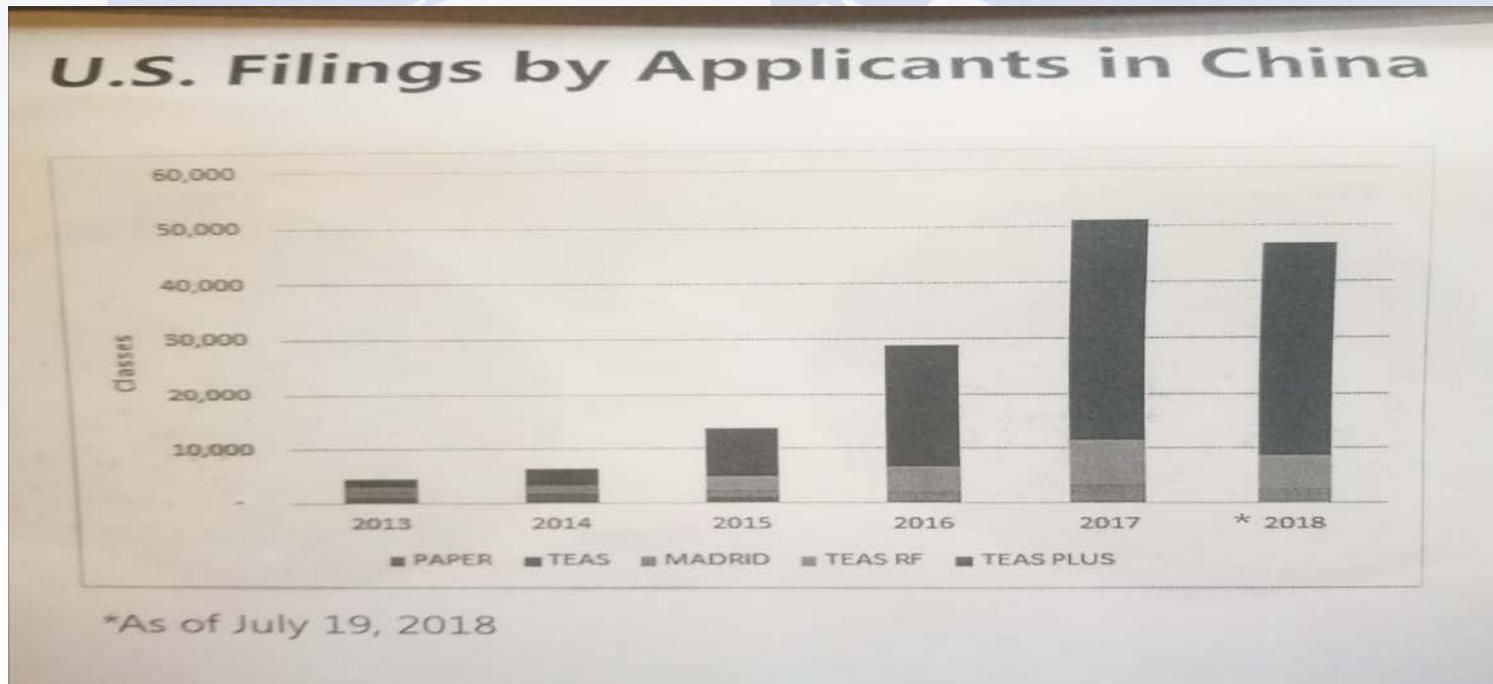
- **Trademark Squatting**

Celebrity names

√ Chinese: Zhao Wei, Yao Ming, etc.

√ Foreigners: Michael Jackson, Michael Jordan, Clinton, Trump, Ivanka;
Mona Lisa, Shakespeare, Picasso, etc.

- **Trademark Squatting**
- **Expended to the U.S.--Far through 2018, 9,291 trademark applications have been filed with the USPTO from Shenzhen alone**



- **Trademark Squatting**

Actions taken by authorities

- √ **Supreme court:** Judicial interpretation for prohibiting bad faith filings for celebrities' names
- √ **SAIC:** Drastic and prompt actions will be taken against massive trademark bad faith filings
- √ **CTMO:** Exploring ways in increasing registrant's obligations in submitting use evidence in a certain period after registration and when renewing the registration

- **Trademark Squatting**

Actions taken by authorities

√ **CTMO: 4 types of bad faith filings will be proactively refused in examination procedure:**

1. maliciously clinging to the goodwill of others and preemptively registering other party's trademarks of high reputation.
2. cybersquatting in large-scale of generic names, industry terminology, etc. with improper intention to occupy public resources.
3. registering celebrity names and other prior rights.
4. repeatedly cybersquatting and registering trademarks of a specific entity will be strictly examined, earlier opposition and invalidation cases will be taken into consideration.

- **Trademark Squatting**

Actions taken by authorities

- √ **CTMO:** Combating trademark hoarding--rejected 16,000 trademark applications without intention to use in 2018. To determine trademark hoarding :
1. making illegitimate profit by the filings, without any actual use or intention to use,
 2. actively selling trademarks to others;
 3. forcing others to cooperate with them in trading;
 4. asking for abnormally high fees for assignment, license or infringement damages;
 5. filing malicious lawsuits;
 6. all other trademark filing activities obviously beyond it's business scope or with no business qualifications.

- **Trademark Squatting**

Actions taken by authorities

√ **Amendment to China's Trademark Law** (*will be implemented on November 1, 2019*):

1. Malicious applications without intention to use shall be refused;
2. Any such applications can be opposed within opposition period and invalidated after registration (absolute ground);
3. Any trademark agencies shall not accept the entrustments from the applicants of such applications;

- **Trademark Squatting**

Actions taken by authorities

√ **Amendment to China's Trademark Law** (*will be implemented on November 1, 2019*):

4. Raise the statutory damage ceiling from RMB 3 million to 5 million Yuan (approximately US\$450,000 to US\$735,000), The counterfeited goods and the materials/tools primarily used for the manufacturing of such goods should be destroyed without any compensation. The goods previously bearing a counterfeit registered trade mark shall not enter commercial channels even though the trade mark no longer appears on them.
5. For malicious applications, administrative warning and/or penalty may be issued. For trademark lawsuits penalty may be imposed by the courts.

- File defensive *applications* before CTMO (Proactive strategy)

- √ First-to-file principle (no use is required)

- √ Don't forget to register the Chinese equivalent, which may become more popular in China.

New Balance--新百伦(Xin Bai Lun); Land Rover—路虎 (Lu Hu); Coca Cola--可口可乐(Ke Kou Ke Le); Johnson & Johnson—强生(Qiang Sheng); Michael Jordan—乔丹(Qiao Dan)

- √ Defensive application--covering the goods/services already used, to be used and all the other relevant ones.

- **File defensive applications before CTMO (Proactive strategy)**

- √ **OEM**—avoid non-use cancellation and infringement

- √ **Non-use Cancellation**—Different attitudes towards the OEM use evidences: CTMO--normally accept; TRAB—more strict; Courts—normally accept. Consider re-filing new applications every 3 years.

- √ **Infringement**—one typical case concluded by supreme court: non-infringement; cases may differ in light of dissimilar situations

Procedures for action

- **File opposition before CTMO**
Within 3 months after publication
 - √ Trademark Watch
 - √ Get watch report in time
 - √ Procedure for opposition changed--no more chance for the opponent to file review

Procedures for action

- File *opposition* before CTMO

Joint Actions

- √ Joint actions—bad faith filings for large quantities of trademarks
- √ Sign joint declarations by real owners
- √ Successful experience in fighting bad faith filings for trademarks on hotels, beers, cosmetics, etc.

Procedures for action

- File *invalidation* before TRAB
 - √ Within 5 years after registration
 - √ Exception—ill will + famous mark

Procedures for action

- Request for recognition of *famous trademark* in relevant disputes
 - ✓ Needs to be recognized by CTMO(oppositions), TRAB (disputes), AIC (investigating cases) or Courts (hearing cases)
 - ✓ More and more difficult especially on cases involving similar goods
 - ✓ Factors to be considered:
 1. *Public recognition in its trading areas;*
 2. *How long the mark has been in use;*
 3. *Advertising, trading areas;*
 4. *History of protection of the mark as a famous trademark;*
 5. *Other reasons for the fame of the trademark.*

Legal grounds

- **For unregistered trademark (limited to identical or similar goods)—Has to take proactive actions**
 - ✓ Article 15. 1. Agent or representative, without the authorization files application, the principal objects.
 - ✓ Article 15. 2. The applicant has contract, business or other relationship, is fully aware of the existence of the trademark owned by the other party, the other party raises an opposition.
 - ✓ Article 32. Application for a trademark in an unfair manner, it is already in use by another party and enjoys substantial reputation.

Legal grounds

- **For prior registered/pending trademark (identical or similar goods)-Automatically refuse**
 - ✓ Article 30. Identical or similar trademark applications covering same or similar goods shall be refused by the Trademark Office after examination.

Legal grounds

- **For famous trademark (cross-class protection)**
 - ✓ Article 13. 2. **Unregistered** famous trademark may only be protected on **identical or similar** goods/services.
 - ✓ Article 13. 3. **Registered** famous trademark may be protected on **dissimilar** goods/services (**cross-class protection**).

Legal grounds

- **Miscellaneous Provision**

- ✓ Article 7. Any application or usage of a trademark shall abide by **principles of honesty and credibility**
- ✓ Applies to **bad faith filings**, which can not be covered by all the above mentioned provisions.

Conclusion

- Build up a *Great Wall* for your trademarks!





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Thank you!