

PATTISHALL

insights

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“ SQUATTERS LOOK FOR TRADEMARKS ALREADY USED ELSEWHERE (OFTEN OWNED BY AMERICAN COMPANIES), BUT THAT HAVE NOT BEEN REGISTERED IN CHINA, AND APPLY TO REGISTER THE MARKS THEMSELVES. ”

New Safeguards Against Chinese Trademark Squatters, But Self-Help Is Still Advisable

By Jessica Ekhoﬀ



With its low-cost manufacturing centers and expanding population, China is a key market for many companies. But as companies increasingly look to China for inexpensive production and expanded customer bases, they also increasingly run into a frustrating situation: they are unable to register their trademark in China because an unscrupulous third party has already done so.

Trademark squatting is a significant problem in China. Squatters look for trademarks already used elsewhere (often owned by American companies), but that have not been registered in China, and apply to register the marks themselves. They can do so because—unlike the United States—China is a “first to file” country, meaning that whoever *applies to register* a mark first has priority, even over someone who *uses* that mark first in China or elsewhere. The squatters’ hope is that the legitimate brand owner will eventually expand into China and pay the squatter an exorbitant sum in exchange for rights to their trademark.

Fortunately, new amendments to the China Trademark Law, which will go into effect on November 1, 2019, address this problem. These new safeguards, combined with several best practices outlined below, can help companies protect their valuable trademark assets.

Amendments to the China Trademark Law

Article 4 of the China Trademark Law will be amended to provide that “malicious trademark applications that are not applied for with the purpose of use will be rejected.” This will allow the China Trademark Office (CTMO) to reject an application during the examination process if the CTMO believes the applicant has no intent to use the mark he is seeking to register. For example, if an applicant was previously found by a court to have registered third parties’ trademarks in bad faith, or files a large number of trademark applications in a single day, the CTMO could reject the applications under this new provision. Corresponding amendments to Articles 33 and 44 add “lack of intent to use” as a new ground for opposing a squatter’s application or seeking to invalidate its registration.

Article 19 will be amended to provide, “Where the trademark agency knows or should know that the trademark applied for by the client belongs to the situation stipulated in Article 4 of the Trademark Law, it may not accept the client’s entrustment.” In other words, local trademark agents will be explicitly prohibited from filing applications on behalf of clients that they know, or should know, are squatters. Article 68 will also be amended to allow “warnings, fines, or other administrative penalties” to be imposed against trademark agencies that run afoul of the new laws.

Best Practices to Protect Your Brand in China

It remains to be seen, of course, how vigorously these new legal safeguards will be enforced in China. Therefore, brand owners should still follow best practices to minimize the risk posed by trademark squatters.

- ***Apply to Register Your Trademark in China Before You Start Using It***

If there is any reasonable prospect of using your mark in China in the future, or having products bearing the mark manufactured there, then it makes sense to apply to register the trademark in China right away. Under the Paris Convention priority provision, you can file an application in China within six months of first applying to register it in the U.S. or another Convention country and claim the priority date used in the first application. If you wait to file in China, you may find that your application is blocked by a squatter.

This is especially likely if you have applied to register your mark in the United States or Europe, which are registries the squatters watch, or if you are using your mark extensively in advertising or promotional materials. If a squatter comes across these foreign applications or uses, there is an increased risk they will apply to register your mark in China with the hope that you will eventually pay them to get it back.

If you plan to have any products bearing the mark manufactured in China, this risk becomes even more significant. If a squatter obtains a registration of your mark, Chinese Customs authorities can block your own products from being exported out of the country on the ground that exportation would violate the squatter’s trademark rights. You would then be at the mercy of the squatter to sell you your trademark rights at whatever price they demand, or be forced to move your production out of China. Getting your trademark application on file before you start using the mark allows you to avoid this expensive and time-consuming problem.

“ IF A SQUATTER OBTAINS A REGISTRATION OF YOUR MARK, CHINESE CUSTOMS AUTHORITIES CAN BLOCK YOUR OWN PRODUCTS FROM BEING EXPORTED OUT OF THE COUNTRY ... ”

- ***Cover All Relevant Chinese Sub-Classes in Your Application***

When you apply to register a trademark in the United States, you must determine in which of the 45 Classes from the Nice Classification System you want to register your mark. In China, there is an important, additional step. China splits each of the 45 Classes into anywhere from two to a few dozen sub-classes. Owning a registration in one sub-class gives you little, if any, protection against a squatter registering your mark in another sub-class. This could pose a problem if you subsequently seek to expand your brand into additional sub-classes. For example, if you apply to register a mark for an alarm system (sub-class 0920), you may be blocked by a squatter if you subsequently seek to register your mark for batteries or chargers for those alarm systems (sub-class 0922). Thus, it is critical to apply to register your mark in all relevant sub-classes, including sub-classes covering goods or services that are related to your offerings or that you plan to offer.

- ***Apply to Register Your Mark in Both English Letters and Chinese Characters***

When Chinese residents (or your own local Chinese representatives) refer to your brand, they may use equivalent Chinese characters instead of the English words. Thus, it is wise to select the Chinese translation of your choice and apply to register it along with the English language version. English words are generally susceptible to multiple Chinese character translations, each with a slightly different connotation, so a careful and consistent approach is important. These steps, combined with greater local scrutiny of suspect trademark applications, will help you avoid being held up by a Chinese trademark squatter.■

APPOINTMENTS

- **Seth I. Appel**
Seth has been appointed a Trustee of the Copyright Society of the USA.
- **Kristine A. Bergman**
Kristine has been selected as a Young Lawyer Fellow by the American Bar Association Section of Intellectual Property Law (“ABA-IPL”) for a three-year term beginning in August, and as Vice Chair of the ABA-IPL Pro Bono Committee. Kristine has also been appointed Chair of the Chicago Women in IP Marketing and Communications Committee for the 2019-2020 term.
- **Thad Chaloeintiarana**
Thad has been appointed the ABA-IPL Liaison to the National Asian Pacific American Bar Association, and Council Liaison to the Trademarks & Unfair Competition Division for the 2019-2020 bar year.
- **Jonathan S. Jennings**
Jonathan has been appointed the ABA-IPL Liaison to the Environment, Energy, and Resources Section’s Coordinating Committee for the upcoming 2019-2020 bar year.
Also, the Public Interest Law Initiative (PILI) appointed Jonathan to be the Co-Chair of its External Relations Committee. This Committee is responsible for overseeing all external facing components of the organization, including fundraising, special events, public relations, and marketing. Jonathan also will continue to serve on PILI’s Board of Directors.
- **Robert W. Sacoff**
Bob Co-Chaired the AIPPI U.S. Group Report on “Copyright in Artificially Generated Works,” a Study Question on the agenda at the AIPPI World Congress in London, in September. The Report can be found at <http://bit.ly/2XB2WEY>.
- **Belinda J. Scrimenti**
Belinda has been elected to the Steering Committee of the DC Bar Intellectual Property Community for a three-year term beginning July 1.

PRESENTATIONS

- **Belinda J. Scrimenti**
Belinda moderated a DC Bar IP Community program on “Hot Topics at the U.S. Trademark Office and the Trademark Trial and Appeal Board,” featuring Hon. Mary Boney Denison, Commissioner of Trademarks, Hon. Sharon Marsh, Deputy Commissioner of Trademarks for Examination Policy, and Hon. Gerard Rogers, Chief Judge of the Trademark Trial and Appeal Board. The program was co-sponsored by the Virginia State Bar IP Section, INTA, the Intellectual Property Law Association of Chicago (IPLAC), the Intellectual Property Law Section of the California Lawyers Association, the San Diego County Bar Association Intellectual Property Law Section, and the Pauline Newman American Inn of Court. The program took place in Washington, DC, and was webcast nationally, on June 18. The webcast is available on demand at <http://bit.ly/2FAJ7aV>.

PRESENTATIONS

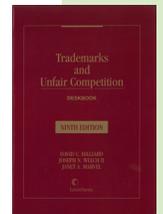
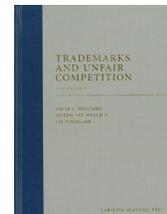
- **Thad Chaloeintiarana**
Thad will speak on the topic of “Practical Tactics for Fighting Gray Market Goods” at the Aftermarket IP Forum of the Automotive Aftermarket Suppliers Association in Dearborn, Michigan, on August 15.
- **Jessica Ekhoﬀ**
Jessica was a panelist on “Bridging the Generation Gap in the Workplace,” a program sponsored by The Coalition of Women’s Initiatives in Law, on July 23, in Chicago.

PUBLICATIONS

- **Seth Appel**
Seth’s case note, “Supreme Court Requires Copyright Registration Before Filing Infringement Suit,” was published in the June edition of *AIPPI e-News*.
- **Ashly Boesche**
Ashly co-authored a 356 page Teacher’s Manual, in May, 2019, for Pattishall’s *Trademarks and Unfair Competition* law school course book (12th Edition), published by the Carolina Academic Press.

- **David C. Hilliard, Joseph N. Welch II, Janet A. Marvel**

In May 2019, the Firm celebrated publication of two major books: Hilliard, Welch & Marvel, TRADEMARKS



AND UNFAIR COMPETITION, an 803 page Treatise (published by Lexis Nexis, 9th ed.), which has been cited and quoted by federal courts, and has been used by the Federal Judiciary to train federal judges in intellectual property law; and a 1,163 page Coursebook of the same title, published by Carolina Academic Press, 12th ed., that has been cited and quoted by the United States Supreme Court (*Moseley v. Victoria’s Secret*), and is used in over fifty law school courses nationally.

- **Jonathan S. Jennings**
In his *US Update* column in the May 2019 issue of Pharmaceutical Trade Marks Group’s *Law Lore & Practice* newsletter, Jonathan discussed a recent case on the application of nominative fair use to social media advertising.
- **Janet A. Marvel and Kristine A. Bergman**
Janet and Kristine co-authored “First Amendment Protection for Content Creators 30 Years After *Rogers v. Grimaldi*,” which was published in the State Bar of Michigan *IPLS Proceedings*, Volume 30, Issue 1.

Chambers USA 2019

“[Pattishall] represents clients in a variety of industry sectors, including retail, energy, technology, and food and drink. The group brings a wealth of knowledge and experience to the areas of trademarks, copyright and unfair competition cases. Regularly engaged for trademark portfolio management needs, including registrations, clearance searches and the development of protection strategies. One client remarks ‘Their team as a whole is awesome!’ going on to clarify: ‘They keep us well informed, thoroughly explain the actions we need to take and are very knowledgeable in their field.’ Another source comments: ‘They are a premier trademark boutique.’”

David C. Hilliard was again recognized as a senior statesman who “is highly respected for his extensive experience in the IP market. He is noted for advising a wide range of multinational clients on complex litigation and arbitration matters.”

IP Stars, Managing Intellectual Property

The Pattishall Firm has been nationally recognized in the Trade mark contentious, Trade mark prosecution, and Copyright categories, and is “Highly Recommended” in Illinois. **Brett A. August**, **Bradley L. Cohn**, **David C. Hilliard** and **Jonathan S. Jennings** have been selected as IP Stars in Illinois. **Jessica A. Ekhoff** has been selected as an Illinois Rising Star.

The Legal 500 United States

“Chicago-based IP boutique Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP is home to an ‘experienced’ and ‘focused’ team that ‘works hard to provide the best results’ in trademark prosecution, portfolio management and licensing. The pharmaceuticals sector is an area of particular expertise, and **Thad Chaloeintiarana** was recently retained to conduct trademark searches and file new applications to register global trademarks for an investigational drug. The team also acts for a number of technology clients, such as Acer, which entrusts **Robert Sacoff** and **Seth Appel** for its US branding and trademark work. **David Hilliard** is recommended, **Belinda Scrimenti** is ‘comprehensive and practical’, and **Jonathan Jennings** is ‘of exceptional quality.’

Other sectors of expertise include automobiles and consumer product manufacturing. In the area of trademark litigation, the Firm is home to ‘hardworking and very diligent’ attorneys who provide an ‘excellent service’. The team is hailed for its ability to ‘represent clients in different sectors’ with foremost expertise in the consumer products, manufacturing, automobiles and parts, technology, hardware and electronics, and pharmaceutical and life sciences industries.

Phillip Barengolts recently represented Red Bull GmbH and Red Bull North America in litigation with The Trading Group that saw the client obtain monetary damages for trademark infringement and unfair competition. **Belinda Scrimenti** is ‘able to provide comprehensive and practical advice relating to trademark litigation’ while **Jonathan Jennings** delivers ‘exceptional quality’. **Robert Sacoff** is another standout name.”