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What is a Trademark Squatter?

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Imagine that you own a U.S. based brand that you have diligently registered with the U.S. Patent and Trademark Office. As you watch your domestic sales skyrocket you begin to realize that overseas markets hold unique opportunities that you feel your brand is ready to explore. After careful consideration and research, you take the initial steps necessary for an international presence. However, when attempting to register your mark in the international market you discover that someone else has beaten you to the punch and registered your trademark. How can this be? Doesn't your protected trademark shield you from these "trademark squatters"? Unfortunately, the protections afforded by trademark registrations are territorial and exist only in the country in which the trademark was registered. Your U.S. trademark is only granted protection in the United States, leaving ample opportunity for trademark squatters to use your mark abroad.

The World Intellectual Property Organization defines trademark squatting as "the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use." World Intell. Prop. Org., WIPO Intellectual Property Handbook, 90 (2008). Trademark squatters typically operate in a "first-to-file" trademark system whereby rights are awarded to the first applicant as opposed to granting rights based on the legitimate use of the mark or an intent to use the mark, such as in the U.S. For instance, in 2012 Hèrmes lost a trademark battle with a Chinese garment company. While Hèrmes had registered its trademark in China it never registered the Chinese translation of its mark, Ai Ma Shi. Because China uses a first-to-file system, Dafeng Garment Company ("Dafeng") was able to register the Chinese translation. Hèrmes engaged in extensive litigation with Dafeng to cancel its mark. Applying the famous mark doctrine, China's Trademark Office ultimately denied Hèrmes the rights to the mark finding that it failed to demonstrate that it was a sufficiently famous trademark known to Chinese consumers prior to the registration of Dafeng's mark. Under the famous mark doctrine, a trademark owner can cancel an existing registration of its mark in a foreign country by demonstrating that it has acquired a certain level of notoriety in the country for which it seeks registration, despite the lack of use or registration in that jurisdiction. However, meeting the notoriety standard often presents an insurmountable obstacle, as demonstrated above. Consequently, not only was Hèrmes prevented from registering the Chinese translation of its brand, but it could also be found liable if it used the mark registered by Dafeng. Similarly, Tesla Motors found itself in a trademark dispute with a Chinese businessman, Zhan Baosheng. Baosheng sued Tesla for trademark infringement claiming that he had rights to the Tesla name before the manufacturer entered China. Bashing was seeking $3.84 million in damages. The case reportedly settled in an amicable fashion, but not without presenting unnecessary hurdles for Tesla.

China recently amended its trademark law to provide, among other things, that an applicant must file in "good faith." The good faith requirement will serve as a useful weapon in combatting trademark squatting. However, trademark squatting can still occur in other first-to-file jurisdictions such as Cuba and Brazil that do not require applications based on good faith.

It is important to take proactive measures to ensure that your mark is adequately protected from trademark squatters and discourage bad-faith registration. Registering your mark in any country where you're currently supplying goods and services is one of the most important steps you can take.

If your institution has questions or concerns about this topic and you would like further information, please email Karen I. Levin at klevin@cullenanddykman.com or Cynthia M. Thomas at cthomas@cullenanddykman.com.