

Trademark Hijack

Protecting Your Brand from Trademark Pirates

By **Peter Humphrey**, founder, ChinaWhys

Have you ever used a SonyEricsson condom, ridden an Electrolux bicycle or drunk Nestle car oil? Probably not - it's a nasty thought, after all. And the great corporations who own famous brands ought to be appalled that their names are being applied to such wares in this bogus way. But it is surprising how many react too late or not at all, which can result in market confusion and brand dilution. The examples just mentioned illustrate a burgeoning problem in China and one more manifestation of intellectual property piracy that the victims often seem unable to cope with.



Corporations have pumped vast sums of money into building brand awareness in the Chinese market, but every investment in brand building also brings great risks when pirates see the value of a brand and seek every possible opportunity to imitate, exploit and hijack the kudos of a great name. When overcapacity strikes and price pressures increase, many unscrupulous parties opt to use other companies' brand image to sell their products or to extort payoffs in return for cancelling their trademark applications.

The number of new trademark applications in China has risen dramatically in the last couple of years to around 600,000-700,000 annually. Up to 12% of these applications are reckoned to be so-called "bad faith" applications. The methods used by the pirates for maliciously registering trademarks similar to known brands get more sophisticated all the time. The established trademark authorities are unable to scrutinise all of the incoming applications properly, and the efficacy of trademark agents working for corporations is often inadequate.

The situation is aggravated by the complexity of the Chinese language - the relationship of script characters to sounds and shapes, the flexible availability of top-down or horizontal, left-right or right-left, reading directions - this unique language situation is often manipulated by bad-faith trademark registrants to apply for marks identical or virtually identical to existing brands.

The casualty list is endless but quirky and amusing. A firm in Chengdu registered SonyEricsson's Chinese brand "索爱" as a trademark for condoms. Pirates registered P&G's shampoo brand "莎宣" as a trademark for hairdressing equipment. The Chinese brown goods maker Changhong's brand "长虹" was registered as a trademark for washing machines by a company in Jiangsu Province. A Chinese company successfully registered white goods giant Electrolux's Chinese brand "伊莱克斯" as a trademark for cosmetics. Electrolux was

also registered in bad faith as a trademark for car lamps, electric bicycles and other oddities. The Korean auto-maker Hyundai had to spend RMB 40 million to buy back its well-known trademark “现代” from a bad-faith registrant in China. Local firms have registered dozens of trademarks mimicking the marks of turbocharger makers Holset and Honeywell. A firm in Jiangxi Province filed the well-known “雀巢” trademark of Swiss food & beverage brand Nestle for oils and paints!

And it doesn't stop there - how about Louis Vuitton truck lifting jacks and powered soldering equipment? And then there's Nokia heaters and gas cookers, Whirlpool baby carriages, Omega plastic plates, Kraft plywood flooring, GM solar water heaters, Kodak interior design, BMW electric grinders, HP conveyor belts, Duracell condoms, Volkswagen prams, Bosch pianos, Adidas kitchen utensils. Best of all though, try McDonalds tobacco along with their burgers. All of these brands have been registered in these categories by third parties in recent months' along with many more bad-faith trademark applications.

The opportunity to file these trademarks arises from the fact that trademarks must be registered in a wide range of categories relating to product and service genres, and most genuine applicants only apply for marks in the categories applicable to their business. In addition, the Chinese rule granting marks to the “first to file” helps the pirates a great deal.

A genuine company like Electrolux would file for its mark in the category of electrical appliances, while a company like Nestle would file under food and beverages. That leaves many categories unfilled. So along comes a mischief maker who files for condoms under a well-known brand and causes embarrassment and confusion.

Such risks are growing for firms with high-value intellectual capital. Unauthorised parties register similar marks in adjacent trademark classes, or register similar marks in more remote classes and get wide recognition. The Impact on famous foreign brands is enormous - owners can lose control over market position. There is a business sector consisting of professional fraudsters in China who file marks similar to well known brands for the goal of extortion or to on-sell the marks to small manufacturers who use them to make short-term profits.

What happens if your brand is affected by counterfeiters? What happens if low quality or dangerous products come to market under your brand name and in the public's eyes your firm is to blame? What happens if this attracts adverse publicity that damages your brand reputation and undermines your market position?

Companies need to put in place the resources and mechanisms to conduct multiple manual reviews of all incoming trademark applications every month, well ahead of the deadlines for objections, leaving ample time to decide whether to launch a legal opposition to the application. They need to adopt intelligent trademark registration strategies whereby protection is extended to adjacent territories and similar marks (e.g. with respect to character, sound and shape). They need to be able to interact with the Trademark Office, facilitating actions to block rogue trademark applications in the pipeline and to overturn accomplished bad faith registrations in a timely way.

Here are some tips on dealing with the problem.

- Develop a comprehensive trademark protection strategy
- Register marks with China's Trademark Office as widely as possible
- Liaise with Trademark Bureau to facilitate swift and favourable actions
- Monitor incoming trademark filings on a regular basis
- Identify and investigate rogue trademark registrations
- Gather intelligence and profile the bad-faith registrants
- Investigate all unauthorised use of your trademarks
- Use discreet site visits and commercial cover to gather evidence
- Punctually register opposition to bad-faith applications
- Negotiate a buyback when it is too late to lodge legal opposition
- Use qualified experts to help in transactions for transfer and licensing of marks

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