



SCHOOL OF  
ECONOMICS AND  
MANAGEMENT

# **Strategies for the Resolution of Trademark Squatting in the EU and China.**

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## **Abstract**

This thesis aims to explore the issue of trademark squatting and its solutions in the EU and China. Trademark squatting is a form of trademark infringement that occurs when individuals or entities register trademarks in territories where they do not have legitimate business operations, taking advantage of the "first-to-file" systems. If trademark squatting is permitted to persist, it has the potential to undermine the efficacy of trademarks and disrupt the normal operations of the market. Therefore, This thesis describes the practice of trademark squatting across different legal jurisdictions and analyses why the trademark phenomenon varies in the EU and China. The thesis comprehensively analyzes the tactics for protecting original trademarks from trademark squatting, strengthening the trademark law, and simplifying the obtaining system to ensure no room is created for squatters. It also explores filing a trademark internationally by leveraging the Madrid Protocol. In my thesis, I propose exploring an objective approach to interpreting bad faith in the reclamation of trademarks from squatters. I suggest the utilization of WIPO Arbitration as a valuable method for resolving trademark squatting conflicts, given its more impartial nature compared to domestic litigation. Furthermore, addressing language barriers and providing remedies can aid in addressing both registered and unregistered trademark squatting.

**Keywords:** trademark, trademark squatting, territory, first-to-file, first-to-use, well-known trademark, bad faith

## **Abbreviations**

EU	European Union
CJEU	Court of Justice of the European Union
WIPO	World International Property Organization
EUIPO	EU Intellectual Property Office
SIPO	State Intellectual Property Office of P.R.China
WTO	World Trade Organization
EUTM	European Union Trademark
EUTMR	European Union Trademark Regulation
CTM	Community Trademark
CTMR	Community Trademark Regulation
TMD	Trademark Directive
TRIPS	Agreement on Trade-related Aspects of Intellectual Property Right
AIPPI	International Association for the Protection of Intellectual Property

# 1. Introduction

## 1.1 Background

A trademark is a distinctive sign that helps to differentiate between identical or similar goods and services provided by different manufacturers or companies.<sup>1</sup> A well-functioning trademark can enhance the company's reputation and expand the internal and external market. A trademark can also indicate good quality, attracting more investment from stockholders. However, many brands were exposed to tough situations because some organizations only focused on taking advantage of litigation. This situation is known as trademark squatting, which occurs when someone other than the original brand owner obtains a trademark for a brand.<sup>2</sup> Squatters often seek to register trademarks not for the purpose of utilizing them in commerce but rather to leverage them for financial gain from the brand owners or other entities reliant on the brand, such as importers of foreign brands.<sup>3</sup> Bayer, a Fortune 500 company based in the United States, developed two types of children's sunscreen lotions sold in the US and China. In August 2016, Li asked Bayer to negotiate the price of continuing to use two signs because Li claimed he owned the signs. The court found that the trademark registered by Li constituted plagiarism of Bayer's trademark. The primary objective of its registered trademark is not to engage in typical business operations but rather to generate profits through complaints, sales, and other avenues by appropriating the accomplishments and accrued goodwill of others. This conduct exemplifies the classic scenario of receiving compensation for minimal or nonexistent effort. Therefore, in the first instance judgment, Li compensates Bayer's economic loss of 700,000 yuan. Later, as the statistics show, Li complained about the products involved in the case 249 times, involving 121 merchants, and voluntarily withdrew the lawsuit 19 times after complaining. Giving another example, Osram is a subsidiary of Siemens and has registered various trademarks owned by different companies. These trademarks include "FIREFLY" owned by Donglin Electronics, "FSL" owned by Guangdong Foshan Lighting Company, "ECOLUX" owned by Shanghai Discus Company, "ORION" owned by Shanghai Oliwei, "RUBY" owned by Light Qingdao Branch, and "CERLITE" owned by Guangzhou Suizhi Star Company. Additionally, Siemens registered "Hisense" for HiSense which resulted in a legal dispute. It took HiSense six years to finally regain its trademark on March 6, 2005. Trademark squatting is common in the EU and China, and finding the root cause behind this

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<sup>1</sup> Trademarks Gateway, WORLD INTELLECTUAL <http://www.wipo.int/trademarks/en/> (Access Date: May 15, 2024).

<sup>2</sup> Carsten Fink, Trademarks Squatters: Evidence from Chile

<sup>3</sup> Ibid, at P3

phenomenon is essential to address this issue. Fighting trademark squatting will help create a healthy environment for business development.

## **1.2 Purpose and Research Questions**

This thesis seeks to tackle the problem of trademark squatting in the EU and China and highlight the need to fight against it. Certainly, the research questions will be structured to achieve the objective of this study as outlined below:

- 1) What is trademark squatting, and what are the causes of trademark squatting?
- 2) What is the current situation regarding trademark squatting in the EU and China?
- 3) Why does trademark squatting vary between China and Europe?
- 4) Possible solutions and remedies to trademark squatting?

## **1.3 Delimitations**

The research is limited to examining trademark squatting and its impact on current trademark law in the EU and China. The study will focus on the data collected from the official intellectual property office ranging from 2000 to 2024. Many businesses opt to use the same trademark for their domain name, while others proactively secure their trademarks as domain names before launching their business to prevent unauthorized use. Once a domain name is registered, another party cannot acquire it. This oversight in registering a trademark as a domain name can result in cybersquatting, although this thesis will not delve into that topic.

## **1.4 Materials and Methods**

The study will be based on both primary and secondary sources. Trademark Law of China, the Law of the People's Republic of China for Countering Unfair Competition, the EU legislation, and the case law of the CJEU will be deemed as the primary sources, the second sources will cover literature, academic articles, journals, news, thesis, articles, the related official online resources, the new comments on world international property (WIPO) website and EU Intellectual Property Office (EUIPO) and State Intellectual Property Office of P.R.China (SIPO). In this thesis, part of the materials referred is the Chinese source.

The approach adopted in this study involves descriptive, quantitative, qualitative, and comparative methods. Firstly, to gain a better understanding of the research topic, it is important to have an organized approach. Therefore, I have chosen to use the descriptive method. Secondly, the reason applied to the quantitative method is related to the importance of collecting quantifiable information, which helps to understand the current situation.



Thirdly, using qualitative methods effectively identifies the root cause of trademark squatting and comprehends the underlying logic. The study primarily utilizes the comparative method to make comparisons and draw conclusions. The comparative method used in this study is basically fourfold, and the details consist of the definition of trademark squatting from the legal perspective both in the EU and in China at the very beginning, then goes to examine the different situations of trademark squatting in the EU and in China, in the third part, the need to look briefly at the root cause of trademark squatting. The fourth part addresses why trademark squatting is more common in China than in the EU. Comparing and contrasting the legal systems of different countries, including their level of development, is crucial for understanding trademark squatting in the EU and China. This thesis utilizes CJEU and case law, as well as trademark data.

## **1.5 Outline**

This thesis aims to systematically examine trademark squatting, focusing on applying legal principles to reconsider solutions at the comprehensive aspect. The first part will explore trademark squatting, examining its occurrence and the emergence of new situations and characteristics in the current digital era. The second part will investigate why trademark squatting is more prevalent in China than in the EU. The third section will explore potential solutions for trademark squatting. Finally, the last part will serve as the conclusion to this thesis

## 2. Trademark Squatting

### 2.1 Introduction

As the world develops its global economy, the condition of one market will certainly have a big impact on many others. To gain more market share, many companies are taking advantage of opportunities to enter new markets. One such tool they can rely on is a trademark. A trademark is a unique symbol used to distinguish between similar goods and services from different providers.<sup>4</sup> A trademark represents a valuable asset and is integral to a business's goodwill.<sup>5</sup> With the expansion of global trade, trademarks are becoming globally prevalent as they are associated with almost every product and service.<sup>6</sup> Therefore, many companies have committed to developing a strong brand identity that can establish trust and loyalty among consumers worldwide. However, Trademark squatting is becoming more common due to the global market's expansion, resulting in increased internal and international trademark infringement.

Trademark squatting, just as its name implies, refers to pre-emptive registration behavior. In the EU, trademark squatting involves registering a trademark identical or similar to an established brand to exploit its use or sell it to the rightful owner.<sup>7</sup> In China, there are two types of trademark squatting. In its broadest sense, trademark squatting is the act of applying for trademark registration without permission from an applicant who lawfully obtained or enjoyed the rights under the law.<sup>8</sup> The rights listed include trademark, copyright, design patent, name, and portrait rights. Trademark squatting refers to the unauthorized attempt to register a commercial identifier, such as an unregistered trademark, domain name, or trade name, without the consent of the original user of the mark. The illegal registration of trademarks, known as trademark infringement, constitutes a violation of ethical principles, specifically those of honesty and integrity. Trademark squatting is a complex issue, caused mainly by the territorial and first-to-file systems at the international level. Additionally, the current trademark laws applied internally are unable to prevent

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<sup>4</sup> World Intellectual Property Organization, Trademarks Gateway, <http://www.wipo.int/trademarks/en/> (Access Date: May 15, 2024).

<sup>5</sup> Russell I. Parr & Gordon v. Smith, Intellectual property: valuation, exploitation, and infringement damages 37 (2005).

<sup>6</sup> Thies Bosling, Securing Trademark Protection in Global Economy-The United States' Accession to The Madrid Protocol, 12 U. BALT. INTELL. PROP. L.J. 137, 138 (2004).

<sup>7</sup> [Trademark Squatting: Trademark Registration by Lawgenix](#). (Access Date: April 26, 2024).

<sup>8</sup> [Recognition of Trademark Squatting and Its Legal Regulation Media Perspectives Shanghai Municipal Intellectual Property Office](#) (Access Date: May 15, 2024).

trademark squatting. The emergence of trademark squatting can be attributed to four key factors, which will undergo detailed analysis in the subsequent sections.

## **2.2 What is Trademark Squatting?**

### **2.2.1 Introduction**

Trademark squatting, similar to brand piracy, involves the registration of identical trademarks in different countries by different individuals or entities.<sup>9</sup> Despite trademark squatting is not a well-defined legal concept and lacking a standardized definition, it actually a practice that has existed for decades. The concept of trademark squatting, as defined by the World Intellectual Property Organization, pertains to the registration or utilization of a widely recognized foreign trademark that lacks registration in the respective country or has been invalidated due to non-use.<sup>10</sup> There are differences in trademark squatting between the EU and China, which can be observed from their definitions and natures.

### **2.2.2 Definition of the Concept of Trademark Squatting**

The legitimate proprietors of trademarks are those entities authorized to affix the symbol to their products or services and possess legal jurisdiction over the standard and essence of the goods or services they offer. On the contrary, a trademark squatter is an individual who aims to register trademarks owned by others before the legitimate rights holders have the chance to protect their own rights.<sup>11</sup> An individual engaging in trademark squatting unlawfully appropriates another party's trademark and proceeds to register it as their own within their jurisdiction, despite knowing that the trademark rightfully belongs to a different entity.<sup>12</sup> A trademark squatter can undertake various activities after successfully registering another party's trademark within their jurisdiction. These include: (1) offering to sell the trademark back to the legitimate owner; (2) distributing products bearing the trademark to consumers who believe the products are authentic; (3) using the trademark to exclude the legitimate owner from the market by claiming trademark infringement; or (4) using the trademark to promote products that differ from those offered by the legitimate

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<sup>9</sup> Kitsuron Sangsuvan, Trademark Squatting, P254

<sup>10</sup> World Intell. Prop. Org., WIPO intellectual property handbook, 90 (2008).

<sup>11</sup> Doris Estelle Long, Is Fame All There Is? Beating Global Monopolists at Their Own Marketing Game, 40 GEO. WASH. INT'L L. REV. 123, 140 n. 44 (2008).

<sup>12</sup> *Id.*

owner.<sup>13</sup> In the past, well-known trademarks were at risk of trademark hijacking<sup>14</sup>, where individuals or entities would register a widely recognized trademark in a specific location before the rightful owner. This allowed them to essentially hold the trademark for ransom, demanding payment in exchange for releasing or transferring the rights. This presented a major threat to the goodwill and proprietorship of the original trademark holders. Nowadays, with the internet, almost all entities can be targeted, as squatters have access to more information. Legally speaking, every country or region has its own set of rules and regulations to ascertain trademark squatting.

In the context of the EU, it has been affirmed through the legal cases of C-371/18 Skykick and T-82/14 Copernicus that the act of registering a trademark without the genuine intention of using it may be construed as an act of bad faith. This determination specifically pertains to instances where the application for the trademark was pursued with the deceitful motive of doing damage to the interest of third parties or seeking exclusive rights for purposes unrelated to the fundamental functions of the trademark. The doctrine of bad faith encompasses egregious filing practices, including establishing "priority traps"<sup>15</sup> by trademark squatters.<sup>16</sup> In accordance with Article 59(1)(b) of Regulation 2017/1001 of the EU, a trademark may be voided if it is determined that the applicant acted in bad faith during the application process. For instance, if someone applies for a trademark to prevent another party from marketing their product, registering their trademark, or gaining economic benefits by blocking the applied trademark, this is considered bad faith. In such cases, the trademark can be invalidated. Trademark squatting in the EU is considered an act of bad faith and can be challenged legally.

In China, trademark squatting occurs when an individual applies for trademark registration in their own name despite knowing that the commercial mark is already in use by others.<sup>17</sup> There are certain legal characteristics of trademark squatting. Pre-emptive registration entails the registration of another individual's commercial logo, which includes unregistered trademarks, the distinctive part (trade name) of a unique name, packaging, decoration, and enterprise name of the goods with a certain degree of influence, as well as the name of a celebrity. The registration application made without the possessor's

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<sup>13</sup> Samantha D. Slotkin, Trademark Piracy in Latin America: A Case Study on Reebok International Ltd., 18 LOY. L.A. INT'L & COMP. L. REV. 671, 671 (1996).

<sup>14</sup> Trademark hijacking is when a third party registers a well-known company's trademark in a new market before the company does.

<sup>15</sup> The term "priority traps" refers to common pitfalls when setting priorities, often leading to reduced productivity and frustration.

<sup>16</sup> [Bad faith in relation to trademarks - European Commission \(europa.eu\)](#) (Access Date: May 15, 2024).

<sup>17</sup> Tian Xiaoling, Zhang Yumin, The legal nature and judicial governance of trademark squatting, 2018-01-23 Source: Intellectual Property Magazine

permission is an apparent feature.<sup>18</sup> One characteristic of trademark squatting is that a person is aware that the trademark belongs to someone else but still tries to register it under their own name.<sup>19</sup> This shows they intentionally try to use someone else's trademark for their own gain. According to the Chinese Trademark Law, certain actions related to trademark squatting are strictly prohibited. The described actions may involve the unauthorized replication, simulation, or translation of a well-known trademark that has not been secured in China. Subsequently, the unauthorized party may then seek registration for the same or similar goods under the replicated, imitated, or translated trademark. Such actions can confuse and are prohibited under Article 13, paragraph 2. Additionally, duplicating, imitating, or translating a famous trademark that is already filed in China by someone else and then applying for registration on non-identical or dissimilar goods is also prohibited under Article 13, paragraph 3. It is also illegal for a representative or agent to register a trademark in their name without authorization, or for someone to pre-emptively register a trademark that is either the same or identical to an unregistered trademark formerly owned by someone else in a parallel manner (Article 15). Furthermore, it is illegal to pre-emptively register a geographical indication on goods that are not indicated by the geographical indication (Article 16), or to pre-emptively register a trademark that has already been utilized by someone else and has a great impact through improper methods (Article 32).

### **2.2.3 Current Situation of Trademark Squatting**

#### **2.2.3.1 Introduction**

The current situation of trademark squatting will be examined in two levels. The first is to analyze from a statistical perspective to learn the trend of trademark squatting thoroughly. The second is to focus on the main manifestations.

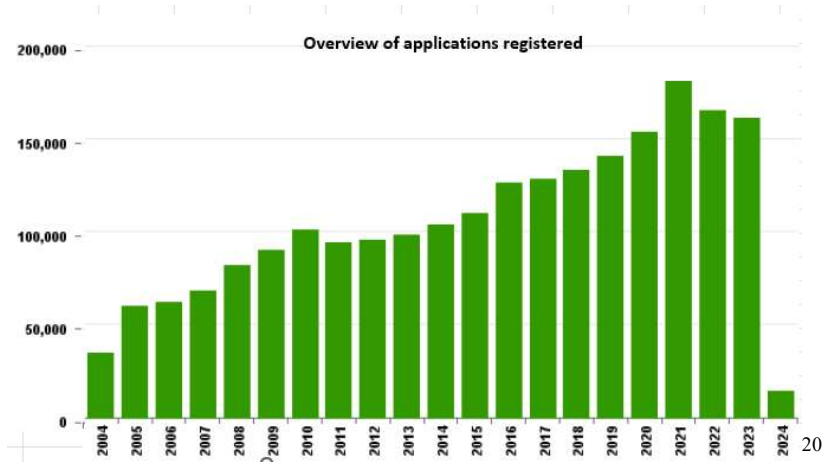
#### **2.2.3.2 Trademark Squatting Situations in the EU**

According to statistical data provided by the EUIPO, there has been sustained growth in EUTM (European Union Trade Mark) applications over the past two decades. This trend has culminated in a notable milestone, with over 12,000 applications recorded in January 2024. While these figures do not necessarily indicate trademark squatting, they do imply a growing desire to safeguard trademark rights in the EU, which could potentially result in a rise in squatting occurrences.

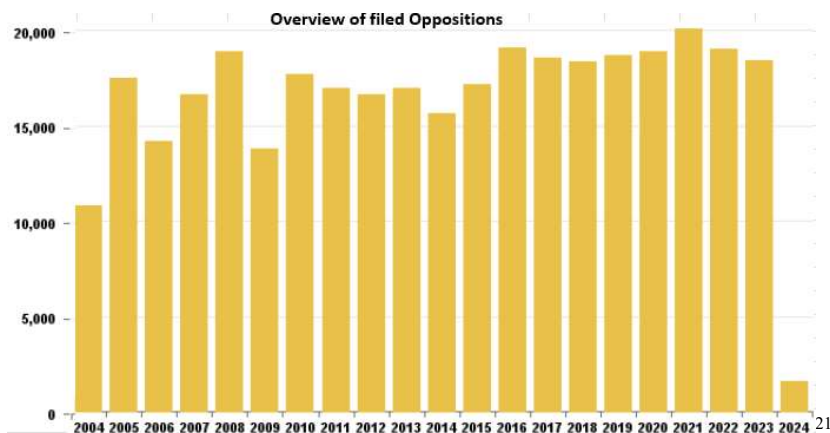
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<sup>18</sup> Ibid.

<sup>19</sup> Ibid.



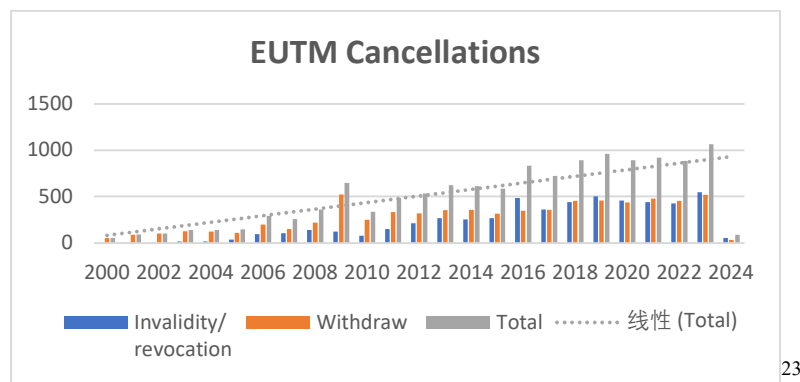
In relation to the oppositions filed, while there is no direct data on bad faith, we can estimate the number of oppositions that were filed in bad faith over 20 years. According to Article 76(1) of Regulation (EU) 2017/1001, an EU collective mark can be rejected for various reasons, such as not meeting the criteria outlined in Articles 74 and 75, conflicting with public policy or established moral principles, and the reasons stated in Articles 41 and 42. If a collective mark is registered in bad faith within the EU, and assuming it is responsible for only 1/5 of all oppositions, the number of possible cases of trademark squatting may range from 2400 to 5000. This highlights the importance of addressing the issue of trademark squatting in the EU. Regarding the opposition filed, there is no direct data related to bad faith. However, it is possible to roughly analyze the number of oppositions engaged in bad faith over ten periods. The EU cannot afford to turn a blind eye to the issue of trademark squatting. It is a problem that demands immediate attention to protect the interests of businesses and consumers alike.



<sup>20</sup> EUIPO Statistics for EU Trade Marks.

<sup>21</sup> EUIPO Statistics for EU Trade Marks.

Besides, there was a steady increase in EU trademark cancellations from 2004 to 2024. When it comes to cancellations, there are two types of procedures stated in the EU trademark regulation (EUTMR). The proprietor of a European Union trademark is susceptible to losing their rights, ultimately leading to the invalidation of the trademark. When a revocation is requested, it takes effect from the date of the request. On the other hand, a declaration of invalidation removes the registration from the EU trademark with a retroactive effect.<sup>22</sup> Based on Article 58 (1) (a) EUTMR, if the trademark is not genuinely used in the EU within five years of registration, or if its use has been interrupted for over five years, it will be revoked. A trademark may be deemed invalid if it was registered despite the presence of an absolute ground for refusal or if the applicant engaged in bad faith during the registration process (Article 58 EUTMR). Trademark squatting in the EU can be identified by registration in bad faith and not being put into genuine use. Thereby the data about EUTM cancellations can be considered as proof indicating a potential increase in trademark squatting over time.



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The trademark squatting phenomenon in the EU is primarily centered on three aspects. As can be found in the report (FOCUS ON CYBERSQUATTING: MONITORING AND ANALYSIS) published by EUIPO, in certain situations, a company may register a domain name that is identical or similar to another company's trademark without having the legal right or legal advantage to do so. This can be considered bad faith and may lead to legal disputes over the unauthorized use of the trademark. Cybersquatters frequently opt for domain names that deviate from the complete trademark or brand name and these variations are intentionally perplexing, often involving minor misspellings or the substitution of letters with digits.<sup>24</sup> Second, trademark squatting in the EU is frequently a strategic

<sup>22</sup> <https://www.euipo.europa.eu/en/the-office/help-centre/tm/faq-invalidity-and-revocation>

(Access Date: May 15, 2024).

<sup>23</sup> EUIPO Statistics for EU Trade Marks, P53.

<sup>24</sup> FOCUS ON CYBERSQUATTING: MONITORING AND ANALYSIS  
[2021 Focus on Cybersquatting Monitoring and Analysis Study ExSum\\_en.pdf \(europa.eu\)](#)

(Access Date: May 15, 2024).

business practice, involving third parties filing for identical or similar trademarks to prevent well-known brands from launching new products or services. For example, in 2016, Samsung filed for an EU trademark (EUTM) to safeguard the name of a new phone application called 'Bixby'. The filing faced opposition from the owner of the 'Bibby' trademark, which had been initially registered in Pakistan and later in the Benelux (Belgium, Netherlands, Luxembourg) region. The court has determined that the business practices associated with the 'Bibby' trademark lacked a reasonable commercial rationale. Insufficient evidence was presented to demonstrate future use or intent to utilize the 'Bibby' trademark. Instead, the trademark holder seems intentionally sought to bypass trademark systems. The registrant had multiple business entities registered without specifying anticipated future activities and possessed numerous trademarks encompassing a broad spectrum of goods and services.<sup>25</sup> Third, trademark squatting in the EU happens when an international trademark is not well known to its public. This unethical practice may occur when a company or individual deliberately registers a trademark with the intention of either reselling it to the legitimate owner at an inflated price or leveraging it to gain an unfair advantage in the market. It can also occur when there is confusion over similar trademarks, leading to legal disputes and costly litigation.

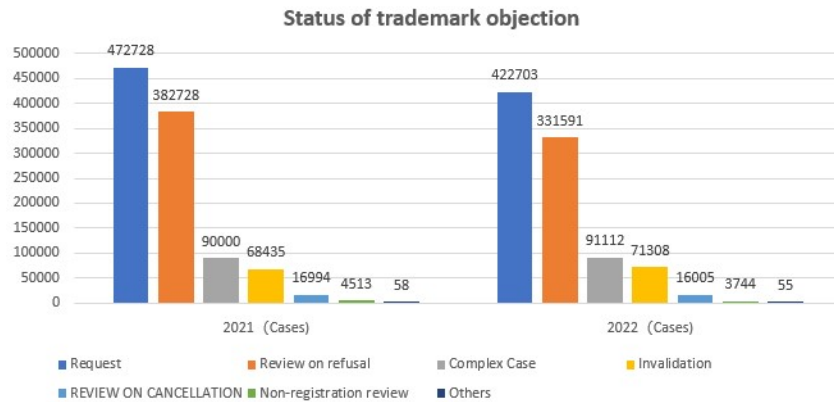
### **2.2.3.3 Trademark Squatting Situations in China**

The Chinese trademark law and regulations were put into effect at the conclusion of 2019. However, trademark squatting persists as a significant issue, as evidenced by the data on trademark opposition, cancellation, and invalidation collected two years following the introduction of the new trademark law. In the annual report released by the China National Intellectual Property Administration, it is noted that over the past two years, there has been a sustained high volume of applications for various trademark review cases, reaching 472728 cases in 2021 and 422703 in 2022. The data includes applications for new trademarks, requests for trademark renewals, and appeals against trademark rejections. Compared to the number of trademark opposition applications in the year 2021, in 2022, the number of trademark opposition applications was 146,000, a reduction of 17.2%; And the establishment rate of trademark objections was 45.1%, the partial establishment rate was 11.8%, and the non-establishment rate was 43.1% in 2022, and the registration in bad faith was effectively contained in the opposition procedure.

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<sup>25</sup> [Trademark squatting and the doctrine of bad faith - Lexology](#)  
(Access Date: May 15, 2024).





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In accordance with Article 49 of the Chinese Trademark Law and Article 66 of the Regulations for the Implementation of the Chinese Trademark Law, in the event that a registered trademark becomes the generic name for the approved goods or has not been utilized for three consecutive years without justifiable cause, any individual or entity is entitled to petition the Trademark Office for the revocation of the registered trademark. The Trademark Office is mandated to render a decision within nine months from the date of receipt of the application.<sup>27</sup> A trademark squatter registered a trademark is not for use but to hoard for speculation. While some trademark owners in China may adopt a defensive trademark strategy by applying for trademarks solely to safeguard against potential infringement or exploitation, they may not necessarily utilize the trademarks in practice. The data quoted in this thesis still somewhat depicts trademarks in China that were exposed to the squatters.

According to Article 44, a registered trademark will be deemed invalid by the trademark office if it contravenes Article 4, Article 10, Article 11, Article 12, or the fourth paragraph of Article 19 herein, or if its registration is procured through fraudulent or other illicit means.<sup>28</sup> Other entities or individuals are entitled to request the Trademark Review and Adjudication Board to assess the validity of the aforementioned registered trademark.<sup>29</sup> Therefore, filing a trademark in bad faith will be declared invalid. Combining the trademark objection data, the 57800 trademark was annulled by the Chinese trademark office in 2021 while the 48841 in 2022. The incidence of trademark squatting exceeds 8800 cases annually,

<sup>26</sup> [https://www.cnipa.gov.cn/module/download/down.jsp?i\\_ID=185538&colID=3249](https://www.cnipa.gov.cn/module/download/down.jsp?i_ID=185538&colID=3249)

(Access Date: May 15, 2024).

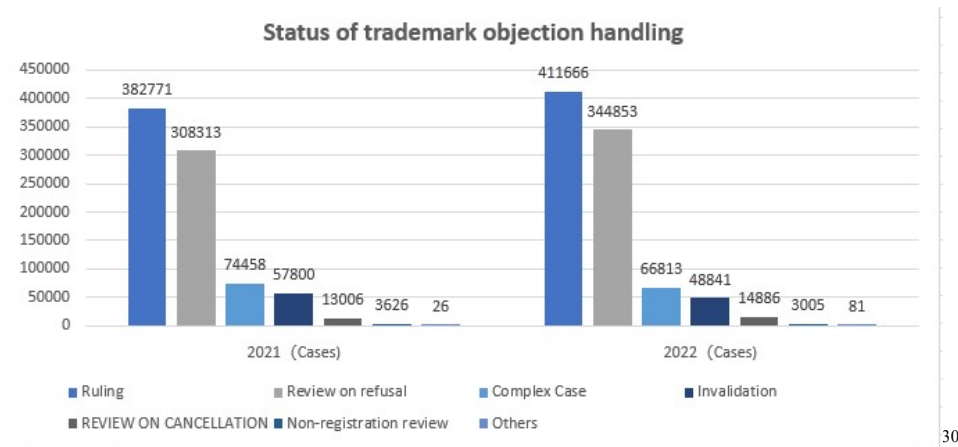
<sup>27</sup> Ibid.

<sup>28</sup> [Trademark Law of China \(2019\) 商标法 - China Laws Portal - CJO \(chinajusticeobserver.com\)](#)

(Access Date: May 15, 2024).

<sup>29</sup> Ibid.

nearly 20 times more than in the EU. This is noteworthy given that bad-faith trademark registrations only constitute 1/6 of these occurrences.



According to the Shanghai Intellectual Property Administration, the trademark squatting phenomenon in China is primarily distributed to the below five aspects. First, pre-emptively registering an unregistered trademark used by others. For example, Geely Group Co., Ltd. pre-emptively registered the trademark "Land Rover" previously used by British Luhua Company on goods such as "motorcycles and cars" (hereinafter referred to as the "Land Rover case"), and Wang pre-emptively registered the trademark "Land Rover" previously used by GLIS on goods such as "wallets and handbags" (The case known as the "GLIS case"). The second scenario involves the pre-emptive registration, conducted in bad faith, of a trademark belonging to another party for goods or services for which authorization has not been granted. For instance, Shenzhen Nightshade Health Products Company sought to register the "Baidu" trademark for "condoms" and other merchandise. Third, pre-emptively registering the abbreviation or common name of a famous trademark that has been registered by others, such as Sony Ericsson's abbreviation "Soeson" (hereinafter referred to as the "Suo Ai case"). Fourth, pre-emptively registering trademarks that infringe on the prior rights of others. For example, the Chinese translation of basketball star Michael Jeffrey Jordan's name, "Jordan," was submitted for trademark registration. The well-known Chinese brand "Shitaisheng" of Wuxi Shitaisheng Economic and Trade Co., Ltd. was also applied for trademark registration. Furthermore, the copyrighted cartoon "Saint Seiya" of Toei Animation Co., Ltd. was successfully registered as a trademark. The accumulation of trademarks for non-use purposes presents a significant concern. This trend is exemplified in instances where entities such as Guangzhou Compass Convention & Exhibition Service Co., Ltd. and Guangzhou Zhongwei Enterprise Management Consulting

<sup>30</sup> [https://www.cnipa.gov.cn/module/download/download.jsp?i\\_ID=185538&colID=3249](https://www.cnipa.gov.cn/module/download/download.jsp?i_ID=185538&colID=3249)  
(Access Date: May 15, 2024).

Services Co., Ltd. have preemptively registered the trademark "UL" in the Uniqlo case, and Yiwu Qingpeng Cosmetics Co., Ltd. has done the same with the trademark "sheer love" in the Victoria's Secret case.

### **2.3 What Causes Trademark Squatting?**

IP rights are only granted for a certain territory and only provide protection within that territory. The acquisition of trademark rights is governed by the first-to-use and first-to-file systems.<sup>31</sup> Examining these factors involved in trademark squatting is closely connected to the territorial principle and the registration system. The issue of trademark squatting can be attributed to the principle of territoriality, with the primary challenge arising from the information gap. Acknowledging that trademark law is inherently based on territorial rights is crucial. On the one hand, the geographical jurisdiction provides an opportunity to acquire a foreign trademark by introducing products bearing that mark into the local market prior to the foreign proprietor's awareness.<sup>32</sup> On the other hand, the foundation of every trademark system is rooted in the principle of territoriality.<sup>33</sup> The principle of territoriality was established within the framework of the Paris Convention.<sup>34</sup> Article 6(3) of the Paris Convention stipulates that a mark lawfully registered in a country of the Union is to be considered distinct from marks registered in other Union countries, including the country of origin.<sup>35</sup> The principle of territoriality within trademark law extends to statutory schemes governing trademark rights.<sup>36</sup> Nations have the authority to establish their own trademark regulations, which encompass the delineation of rights, relevant legal standards, stipulations, and the processes involved in obtaining and upholding these rights.<sup>37</sup> Trademark law within a particular country exclusively governs trademark rights within its jurisdiction and does not have jurisdiction beyond its borders.<sup>38</sup> One proprietor is unable to prevent squatters from infringing on their trademarks in two separate systems due to the limitations of the home trademark law. According to the principle of territoriality, registering someone else's trademarks in other countries does not even constitute an infringement, which leads to more squatting activities.

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<sup>31</sup> Alexander Tsoutsanis, trademark registrations in bad faith, P13 (2010).

<sup>32</sup> *Ibid*, at P28.

<sup>33</sup> Rudolf Callmann, Callman On Unfair Competition, Trademarks And Monopolies § 76:4, At 1221 (1950).

<sup>34</sup> J. Thomas McCarthy, McCarthy on trademarks and unfair competition § 29:25, at 29–92 (4th ed. 2010).

<sup>35</sup> Paris Convention for the Protection of Intellectual Property, art. 6.

<sup>36</sup> See generally Graeme B. Dinwoodie, Trademarks and Territory: Detaching Trademark Law From the Nation-State, 41 HOUS. L. REV. 885, 892-893 (2004).

<sup>37</sup> *Ibid*, at 893.

<sup>38</sup> Thomas J. Hoffinan, International Trademark Practice, in P.L.I. Patents, Copyrights, Trademarks & literary prop. Course handbook series no. 41 247, 252 (1995).

Trademark squatting commonly occurs in jurisdictions operating under a first-to-file system or civil law countries.<sup>39</sup> Why does the first-to-file system matter to trademark squatting? The absolute grounds, one of the inevitable consequences of a 'first-to-file' system is that the failure to register a brand timely disregards the fundamental requirement of "first-to-file," thereby exposing the brand to the risk of being registered by others before the rightful owner, potentially resulting in the loss of ownership rights.<sup>40</sup> The second reason is that they do not necessitate the applicant to demonstrate the utilization of the trademark in commerce at the moment of registration. In first-to-file systems, the rights to a trademark are granted to the entity that applies first, which creates an opportunity for individuals or companies to register trademarks of established brands before the actual brand owners do, especially in markets they plan to enter.<sup>41</sup>

In the modern era of information, individuals who engage in squatting can easily access information about foreign trademarks through online searches. This allows them to intentionally select domain names that closely mimic trademarks, often through minor misspellings or variations to deceive users. When individuals partake in this practice with domain names, it constitutes cybersquatting, a form of trademark squatting. However, I will not delve further into cybersquatting analysis in this thesis.

### **3. Why Does Trademark Squatting Vary Between China and the EU?**

#### **3.1 Introduction**

Compare the trademark squatting laws applied in the EU and China, and to understand why trademark squatting is becoming increasingly common, it is important to first gain an understanding of the history of trademark law. Additionally, one should focus on the process of obtaining a trademark, as the rights granted to the owner are only authorized through official registration. It is also important to consider why trademark law itself seeks to prevent trademark squatting by making it difficult to determine what constitutes a well-known trademark and how to define bad faith. Examine the trademark squatting laws

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<sup>39</sup> Trademark piracy is more common in civil law countries than in common law countries like the United States (Slotkin, note 46, p 672–73). The "first-to-file" system in China allows third parties to register well-known foreign trademarks without the need to provide evidence of prior use or ownership (U.S. International Trade Commission, note 14). In civil law jurisdictions, trademark rights are established through mark registration rather than actual use in commerce (Port, 35 WAKE FOREST L. REV. 827, 832–33, 2000).

<sup>40</sup> Alexander Tsoutsanis, trademark registrations in bad faith, paragraphs 2.28-2.29, P43.

<sup>41</sup> [Trademark squatting and the doctrine of bad faith | Novagraaf](#)  
(Access Date: May 15, 2024).

enforced in the EU and China to understand the similarities and differences between the two jurisdictions.

### **3.2 History and Development of the Trademark Law**

The evolution of Chinese trademark law has seen four revisions since the establishment of the People's Republic of China on October 1, 1949. In 1982, China adopted its first Trademark Law, which regulated the protection of the exclusive right of trademarks along with its system to register, publish, and oppose. In 1993, China amended its trademark law to align with international standards upon its accession to the Madrid system.

In order to demonstrate its dedication to safeguarding intellectual property rights on a global scale, China signed treaties and became a member of intellectual property rights organizations such as the World Intellectual Property Organization (WIPO) in 1980.<sup>42</sup> In December 2001, China made amendments to its trademark legislation to comprehensively reform its intellectual property law framework in anticipation of its accession to the World Trade Organization (WTO).<sup>43</sup> The "millennium amendments" brought about significant changes to China's trademark laws to align them more closely with the TRIPS Agreement. These revisions included heightened protection for "well-known" marks, the elimination of time constraints for contesting marks obtained through fraudulent or unfair means, the introduction of judicial oversight for all trademark office administrative decisions, and the strengthening of enforcement mechanisms through the authorization of preliminary injunctions.<sup>44</sup> In 2013, The third revision of trademark laws saw the introduction of new principles, such as sound trademarks and good faith. To ensure clarity, a multi-class system was established, and the use of well-known trademarks for promotional purposes was explicitly banned. Additionally, provisions were added for the review of trademark registration, as well as for case trial time limits, and the opposition procedure was modified. Requirements for trademark infringement judgment were also introduced, specifically targeting cases that could easily confuse. Furthermore, trademark registrants were no longer allowed to prohibit prior trademark users from continuing their usage within the

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<sup>42</sup> Convention Establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1749, 828 U.N.T.S. 3; Wong, *supra* note 33, P 941.

<sup>43</sup> Peter K. Yu, *From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China*, 55 AM. U. L. REV. 901, 908–14 (2006) hereinafter Yu, *From Pirates to Partners (Episode II)*. For the text of the amended trademark law, see *Zhonghua Renmin Gongheguo Shangbiao Fa* (中华人民共和国商标法) Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective Oct. 27, 2001) ST. COUNCIL GAZ., Nov. 20, 2001, available at [http://english.ipr.gov.cn/lawsarticle/laws/lawsar/trademark/200608/233124\\_1.html](http://english.ipr.gov.cn/lawsarticle/laws/lawsar/trademark/200608/233124_1.html) ((Access Date: April. 30, 2024).) hereinafter PRC Trademark Law of 2001.

<sup>44</sup> Yu, *From Pirates to Partners (Episode II)*, *supra* note 52, P910–11.

original scope. To deter trademark infringement, the punitive damages and legal damages were increased.<sup>45</sup> The 4th version of the trademark was incorporated in 2019. Trademark applications that lack genuine intent for use and are submitted in bad faith will undergo stringent examination. Although China has been making efforts to improve its trademark laws, the effectiveness and enforcement of these laws remain a concern. The frequent changes can make it difficult for trademark owners and agencies to stay up-to-date with the latest legal requirements. This can result in constant adjustments to trademark registration, enforcement, and management processes, which may confuse exclusive rights. Unfortunately, this confusion also creates an opportunity for the squatters to steal other people's trademarks.

The EU boasts a strong legal framework for safeguarding trademarks, which includes the EUTMR and a law harmonization directive. The European Union Intellectual Property Office (EUIPO) administers the Enforcement Database, where brand owners can register their products and identify potential counterfeits. Additionally, brand owners have the option to request national customs authorities to confiscate counterfeit merchandise and challenge any registrations that were made with ill intent. The law regarding EU trademarks can be delineated into four distinct stages. During the period from 1957 to 1976, the initial stage was characterized by a two-pronged approach pursued to unification and harmonization through the Community Trademark Regulation and Trademark Directive, respectively. The second stage, which spanned from 1977 to 1986, was dedicated to negotiating the Community Trademark Regulation. The third stage, lasting from 1986 to 1988, involved the negotiation of the Trademark Directive, while the Community Trademark Regulation was finalized from 1986 to 1993.<sup>46</sup> The consideration of the legislative history and origin of the bad-faith provisions discussed during negotiations is pivotal as an auxiliary element for the CJEU and other courts to base their interpretation of the legal sense and extent of the Community concept of bad faith.<sup>47</sup> The long history and robust trademark laws in the EU ensure the authority of its trademark legislation. A comprehensive legal framework secures exclusive rights, leaving no room for trademark squatters to take advantage of others' marks.

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<sup>45</sup> SanQiang, Qu, *Modern intellectual property Laws and Regulations* 《现代知识产权法律法规汇编》, 2nd version, P808-813.

<sup>46</sup> Alexander Tsouttsanis, *trademark registrations in bad faith*, P47-72, (2010).

<sup>47</sup> *Ibid*, at, P72, (2010).

### 3.3 General Obtaining System

Trademark rights either exist for the 'first-to-use' or are granted by a trademark registry to the 'first-to-file'.<sup>48</sup> The EU and China have implemented the 'first-to-file' system, a practice widely adopted across numerous other nations. The 'first-to-file' system has led to instances of trademark squatting in the aforementioned context. In light of this, it begs the question as to why these countries have not transitioned to the 'first-to-use' system similar to the one implemented by the United States of America.? The primary factor contributing to this issue is the legal ambiguity, which complicates the determination of whether a particular symbol has already been claimed or utilized as a trademark. Furthermore, it hinders the process of ascertaining the identity of the trademark holder.<sup>49</sup> The first-to-file system was incorporated in the Paris Convention in 1883 in connection with the right of priority (article 4 PC). It also appears in Article 6 which explicitly refers to the application and registration of trademarks.<sup>50</sup> Being Combined with several international agreements made the first-to-file the dominant entities that file for trademark registration. First was the Madrid Agreement (1891), which served as a pivotal achievement in the field of trademark law, as it laid the groundwork for the international registration of trademarks. In 1989, the Madrid Protocol was introduced as an extension of the Madrid Agreement. This international treaty aimed to simplify the process for trademark proprietors to obtain protection in multiple countries through a single application. The Nice Agreement (1957) and the Vienna Agreement (1973) complement each other by providing classification systems for goods and services, facilitating uniformity and clarity in trademark registration procedures. In 1994, the Trademark Law Treaty bolstered the first-to-file system, standardizing trademark registration procedures further, while the TRIPS Agreement duly acknowledged the importance of the first-to-file principle.<sup>51</sup>

EU recognized that the first-to-file system could be traced back to the Community Trademark Regulation of 1993 six years later. And it was regulated in Article 6 CTMR, which ruled that a CTM can only be obtained through registration. In the EU, trademark registration can be performed at three levels: national, regional (EUTM), and international (Madrid System) In contrast, The introduction of the first-to-file system in Chinese trademark law can be dated back to 1963, coinciding with the implementation of the Regulations on the Administration of Trademarks. This marked the establishment of a

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<sup>48</sup> Ibid, at P13 (2010).

<sup>49</sup> Gielen/Wichers Hoeth 1992 no 434; Kaufmannn diss. 1970 P65-6.

<sup>50</sup> 6 quinquies, 6septies, 7 and 12 PC and Kaufmannn diss. 1970 P26.

<sup>51</sup> Alexander Tsouttsanis, trademark registrations in bad faith, P21 2.16.

comprehensive registration system, rendering unregistered trademarks ineligible for use. In China, national and international levels are the two levels to obtaining a trademark.

In this scenario, we observe that the obtaining system used is the same in both China and the EU, yet trademark squatting is more prevalent in China. Apart from the legal obtaining systems, different approaches to trademark registration can shed light on the underlying cause of trademark squatting issues. According to the 'Nice Classification system'<sup>52</sup>, in the process of submitting trademark applications, it is a standard requirement in most jurisdictions that the goods and services specified in the application are categorized into classes.<sup>53</sup> All signatories to the Nice Agreement are obligated to utilize the Nice Classification system for trademark registration. This obligation encompasses the primary or ancillary application of the classification; and the incorporation of class numbers from the Classification in official trademark registration documentation and publications. The compulsory usage of the Nice Classification extends not only to national trademark registrations within the signatories to the Nice Agreement but also to international trademark registrations facilitated by the EU Intellectual Property Office (EUIPO) and the International Bureau of WIPO.<sup>54</sup> Under the Nice Agreement, single-class and multiple-class applications are two approaches to trademark registration. China signed the Nice Agreement on May 9, 1994, based on Article 1 of the agreement, China applied the single-class application at the first start. To ensure comprehensive protection in China, it is necessary to undertake the trademark application process numerous times for each of China's forty-five trademark categories, each of which encompasses multiple sub-categories.<sup>55</sup> Except as an entity registers trademarks in all relevant classes immediately to safeguard its marks, however, it may choose not to register all related trademarks at one time, creating opportunities for squatters. China started to adopt multiple-class applications through the third version of Trademark law in 2014, which has revolutionized the trademark registration process, making it more efficient and streamlined. In accordance with Article 22, "Applicants seeking trademark registration have the option to submit a single application for the registration of the same trademark across multiple categories of goods." The filing cost of registering a single class of goods or services in China is notably low, at under €40. This low cost makes it easier for people to target multiple trademarks without incurring significant costs.

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<sup>52</sup> The Nice Classification is the International Classification of Goods and Services for the Registration of Marks was established by an Agreement concluded at the Nice Diplomatic Conference.

<sup>53</sup> *Ibid.*

<sup>54</sup> *Ibid.*

<sup>55</sup> Lallemand, *supra* note 66.



In contrast, the European Union (EU) allows for the submission of trademark applications across multiple classes at all times, which allows applicants to seek protection for two or more specified classes of goods or services within a single application at the very beginning. In the EU, entities have the option to safeguard their trademarks by applying for multiple-class trademarks. When applying, the basic fee for registering a trademark for one class of goods or services is €850. Additionally, if they wish to apply for a second class, an extra fee of €50 is required. If applying for more than two classes, the cost is €150 for each additional class. With the incorporation of multiple classes and higher costs, trademark squatters are finding it increasingly difficult to hijack other people's marks. This not only protects the rightful owners of trademarks but also discourages any unlawful attempts to steal their intellectual property.

### **3.4 Well-known Trademarks**

#### **3.4.1 Introduction**

The terminology surrounding the recognition of trademarks, including "well-known mark," "famous mark," "notorious mark," "mark with a reputation," "reputed mark," and "renowned mark," lacks uniformity in its usage. The 'AIPPI'<sup>56</sup> survey indicates that "well-known mark" is the most widely employed term within this context.<sup>57</sup> The doctrine of well-known trademarks is grounded in Article 6bis of the Paris Convention. This provision obligates signatory states to reject or invalidate the registration and proscribe the use of a trademark that replicates, imitates, or translates another mark known to the competent authority of the registering or using country as being well-known and belonging to a party entitled to the Paris Convention's benefits. The mark must be in use for identical or similar goods.<sup>58</sup> Trademark squatting is a common issue for renowned trademarks. In China and the EU, there are two standards for acquiring a famous position, leading to different situations.

#### **3.4.2 Recognition of Well-known Trademarks**

Chinese trademark law does not offer an exact definition; however, it can be deduced from the stipulated requirements for its validation.<sup>59</sup> The term "well-known trademarks" refers to the level of recognition that a brand enjoys among the relevant public in China.

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<sup>56</sup> International Association for the Protection of Intellectual Property.

<sup>57</sup> [Famous Trademark Protection Practices in the US, EU, Japan, China and Vietnam: similar or different although these countries all bound by the Paris Convention and TRIPs Agreement? - Lexology](#)

(Access Date: May 15, 2024).

<sup>58</sup> [Protecting well-known trademarks in the EU - IAM \(iam-media.com\)](#)

(Access Date: May 15, 2024).

<sup>59</sup> [What Is A Well-Known Trademark \(WKTM\)? - European Commission \(europa.eu\)](#)

(Access Date: May 15, 2024)

According to Article 2 of the Provisions on the Recognition and Protection of Well-known Trademarks, the scope of a trademark's target audience extends beyond consumers directly linked to the use of specific goods or services associated with the trademark, and it also linked to other entities that involved in the production or provision of these goods or services, as well as vendors and individuals engaged in their distribution.<sup>60</sup>

The current trademark protection system in China adopts a case-by-case approach that relies on trademark owners to take a proactive stance in safeguarding their rights. While this may appear challenging, it offers greater versatility and customized solutions for each specific case. By remaining vigilant and taking the necessary measures, trademark owners can effectively secure their valuable intellectual property in China. Upon request by the relevant party, a well-known trademark is to be recognized as a determining factor in matters pertaining to trademarks” as ruled in Article 14 of Chinese trademark law. In determining the status of a well-known trademark, the following factors are considered: (1) the reputation of the trademark within the relevant sector of the public ;<sup>61</sup> (2) the length of time the trademark has been in use ;<sup>62</sup> (3) the extent, duration, and geographical reach of any publicity for the trademark ;<sup>63</sup> (4) the history of the trademark's protection as a well-known mark;<sup>64</sup> (5) other factors contributing to the reputation of the trademark.<sup>65</sup> However, The task of defining the "relevant public" is made more difficult by China's vast geographical size and significant economic disparities. While the coastal regions and major urban areas have more developed economies, there are large areas with underdeveloped markets where consumers have limited access to international brands.

Well-known trademarks distinguish the source of goods or services and represent high quality and good corporate image. Trademark squatters are still a threat to famous brands in China. There exist two kinds of famous trademarks, registered marks and unregistered marks. Although a well-known trademark that has not been registered in China must be protected with respect to goods identical with or similar to the well-known trademark,<sup>66</sup> unregistered well-known trademarks have not been protected by legislation. Under Chinese law, trademarks that are well-known but not registered in China or have only gained notoriety through use may not be protected by the Trademark Law. This can leave

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<sup>60</sup>San Qiang, Qu, Modern Intellectual Property Laws, and Regulations 《现代知识产权法律法规汇编》, Chapter 4

<sup>61</sup> [What Is A Well-Known Trademark \(WKTm\)? - European Commission \(europa.eu\)](#)

(Access Date: May 15, 2024)

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid

trademark holders without legal recourse when their mark is registered by someone else, as seen in the case of "Muji". Despite being the rightful owner, the original holder lost the legal battle due to the mark being squatted by another party. When determining the extent of protection for diverse goods associated with a well-established trademark registered in China, it is imperative to conduct an assessment of its level of recognition. Extending protection to well-known trademarks does not guarantee universal coverage across all categories of goods and services. The protection of well-known trademarks still heavily relies on the similarity or association between the related goods or services.<sup>67</sup> The protection of well-known trademarks in China can expand across categories but cannot cover all categories. The level of protection is proportionate to the level of "well-knownness" and limited by the relevancy of the alleged infringing product. When evaluating the infringement of well-known trademarks in an unregistered class, it is essential to consider the potential for confusion and the impact on the trademark owner.<sup>68</sup>

Meanwhile, to examine well-known marks in the EU in parallel, trademark protection is achieved through registration. However, the Paris Convention for the Protection of Industrial Property also provides protection for unregistered trademarks, even if they are not used in specific territories, as long as they are well known.<sup>69</sup> This means that businesses can still receive some level of protection for their trademarks even without formal registration, as long as the trademarks are recognized as well-known. In the EU, The protection granted to well-known marks is of a higher degree, as stipulated in Article 5(3) of the EU Trademark Directive (2015/2436 – previously Article 5(2) of Directive 89/104/EEC) and Article 9(1)(c) of the EU Community Trademark Regulation (207/2009, as amended by Regulation 2015/2424).<sup>70</sup> The owner of a widely recognized trademark has the legal authority to prevent other individuals or businesses from using any symbol, word, or design that is identical or closely resembles their trademark. This applies even if the usage relates to products or services that are unrelated to those for which the trademark is registered. This prohibition is in place to prevent unfair exploitation or damage to the unique identity associated with the original trademark.<sup>71</sup> The requirements for attaining a well-known status are sufficiently broad, focusing on trademarks that possess a strong reputation within a specific geographical area. In the EU, in the evaluation of well-known trademark status, a trademark may be deemed 'well known' if it holds significant recognition among the relevant public, taking into account the specific circumstances of

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<sup>67</sup> Ibid

<sup>68</sup> Ibid

<sup>69</sup> [Protecting well-known trademarks in the EU - IAM \(iam-media.com\)](#) (Access Date: May 15, 2024)

<sup>70</sup> Ibid

<sup>71</sup> [EU: Protecting well-known marks under international treaties - World Trademark Review](#) (Access Date: May 15, 2024)

the case.<sup>72</sup> According to EU case law, the standard for attaining well-known trademark status is not as stringent as suggested by continental ideology.<sup>73</sup> In summary, the conditions for obtaining a famous trademark in China are stricter compared to those in the EU. As a result, establishing recognition for a reputable brand in China can be quite challenging, leading to obstacles in maintaining exclusive rights. The difficulty in building a brand's reputation also increases the risk of trademark infringements by opportunistic individuals.

### **3.5 Registration in Bad faith**

#### **3.5.1 Introduction**

The Community Trademark Regulation Article 52(1)(b) recognizes registration in bad faith as the absolute grounds for declaring invalidation. The notion of bad faith was mostly linked to the ‘applicant’s knowledge’<sup>74</sup> initially, and later the concept of bad faith switched to specific ‘knowing or should have known’<sup>75</sup>, then afterward replaced by ‘not in good faith.’<sup>76</sup> Eventually, the definition of bad faith has not been concluded. The definition of "bad faith" is not specifically defined in the EU Trademark Directive, and the explanatory Council protocol on the Directive does not provide clarity on this matter. As a result, there is ambiguity surrounding the precise interpretation of "bad faith." In accordance with Article 4-4G of the Trademark Directive, any Member State may also stipulate that a trademark should not be registered, or if registered, may be declared invalid if it is likely to be confused with a mark that was in use in another country on the filing date of the application and is still in use there and this provision applies on the condition that at the date of the application, the applicant was acting in bad faith.<sup>77</sup> Article 4-4G outlined two separate requirements related to the intrinsic of bad faith, the first one is the ‘continuous prior trademark use’<sup>78</sup>, and the second one is the ‘likelihood of confusion’<sup>79</sup>.

In contrast, the definition of "bad faith" remains unclear in China. While instances of squatting the registration of unused trademarks exist, there are also cases of pre-emptive registration of identical or similar trademarks to grab the goodwill of others who have used the earlier-used commercial logos in their operations. As of November 1, 2019, the latest version of the Trademark Law has been implemented with new provisions aimed at

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<sup>72</sup> [Protecting well-known trademarks in the EU - IAM \(iam-media.com\)](#) (Access Date: May 15, 2024)

<sup>73</sup> Ibid.

<sup>74</sup> Alexander Tsoutsanis, Trademark Registrations In Bad Faith, P80, 4.11

<sup>75</sup> Ibid, at P123, 5.21

<sup>76</sup> Ibid, at P123, 5.22

<sup>77</sup> [Directive - 2015/2436 - EN - EUR-Lex \(europa.eu\)](#) (Access Date: May 15, 2024).

<sup>78</sup> Alexander Tsoutsanis, Trademark Registrations In Bad Faith, P102, 4.47.

<sup>79</sup> Ibid

preventing the registration of trademarks in bad faith without intention for use.<sup>80</sup> In Article 68, administrative punishment for those who register trademarks in bad faith has been affirmed.<sup>81</sup> Article 23 of the Trademark Authorization Confirmation Opinion elaborates on the criteria for the detection of trademark squatting as stipulated in Article 32 of the Trademark Law. To determine if a trademark applicant has illegally registered the trademark of others, two conditions must be met: prior use of the trademark and knowledge that the trademark has been used by others.<sup>82</sup> Additionally, three factors must be considered when determining whether it constitutes malicious trademark squatting: "prior use", "has a certain impact", and "knowing or should know".<sup>83</sup> When making a precise determination, it's crucial to consider specific factors. In the case of identifying squatters, it's essential to prioritize their subjective intention over the conditions of "having a certain impact." When assessing signs previously used by squatters, it's important to consider factors like visibility and specific relationships. These factors can help determine if the signs were used in bad faith.

### **3.5.2 Assessment Bad Faith in the EU**

In the EU, one of the most commonly accepted forms of bad faith is the situation where the applicant files a CTM with clear knowledge of prior use. The interpretation of whether mere knowledge of prior use suffices or if an additional ulterior motive of the CTM applicant, such as an intention to obstruct a competitor, is necessary remains a subject of divergence in both literature and case law.<sup>84</sup> There has been an increasing tendency in the commentary to accept the first approach in the sense that the knowledge of prior use should alone be sufficient for the cancellation of a CTM on the grounds of bad faith.<sup>85</sup> In the CTMR, three factors were adhering to the necessary evidence of bad faith, such as intention to obstruct, speculation, and dishonest intention, and violating standards of acceptable commercial behavior. When it comes to the intention to obstruct, the determination of bad faith primarily relies on proving that the trademark applicant intended to obstruct or prevent a competitor from registering or using a similar mark<sup>86</sup>, although it was thought to be outdated. Speculation has arisen regarding a third party's attempt to utilize a registered CTM that is identical to a trademark already in use outside the EU, with imminent plans

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<sup>80</sup> The recognition and legal regulation of trademark squatting, Shanghai Intellectual Property Court, 2020. [商标抢注的认定及其法律规制 媒体视点 上海市知识产权局 \(sh.gov.cn\)](#) (Access Date: May 15, 2024).

<sup>81</sup> Ibid

<sup>82</sup> Ibid

<sup>83</sup> Ibid

<sup>84</sup> Alexander Tsoutsanis, Trademark Registrations In Bad Faith, P156, 5.71

<sup>85</sup> Ibid

<sup>86</sup> Ibid, at P157, 5.72

for expansion into the EU market.<sup>87</sup> As per EU case law, as acknowledged by OHIM<sup>88</sup>, the European interpretation of bad faith hinges on the presence of "dishonesty" or "conduct falling short of acceptable commercial behavior."<sup>89</sup>

The concept of bad faith, as stipulated in Article 59(1)(b) of the EUTMR, constitutes an autonomous principle of EU law, necessitating a consistent interpretation throughout the European Union.<sup>90</sup> Thus, according to the instruction of Article 59(1)(b) EUTMR, to assess whether a trademark owner acted in bad faith when applying the application, three factors ruled in the EU case law cannot be ignored. The following elements should be taken into consideration: the resemblance or likeness of the signs, awareness of the use of an identical or similar sign, and any deceptive intention on the part of the EUTM owner. The identification or resemblance of the signs involves the situation where the EUTM allegedly registered in bad faith bears a close resemblance or is identical to a sign cited by the party applying for invalidity, which plays a crucial role in determining the presence of bad faith.<sup>91</sup> The level of resemblance between the pertinent goods or services plays a significant role in assessing the probability of confusion.<sup>92</sup> Moving to the second factor, which emphasizes the prior use, will contribute to obtaining a trademark in bad faith significantly. Determining bad faith in the context of an EUTM owner involves assessing their knowledge or reasonable awareness of a third party using a similar or identical trademark for similar or identical products or services. The significance of such knowledge is not to be understated. In this regard, knowledge may be presumed if the parties share a business relationship and have had a long-standing awareness of the sign's use. Additionally, information can be deduced from a broad comprehension of the economic industry or the length of time a product or service has been used. As a trademark gains more years of usage, it becomes increasingly probable that the owner of the EUTM was aware of its existence.<sup>93</sup> It is important to emphasize that simply being aware of an identical or similar earlier sign for similar or identical goods or services is inadequate to prove bad faith. Additional evidence and factors must be considered to establish bad faith in such situations.<sup>94</sup> The circumstances of the case must always be considered. Understanding that

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<sup>87</sup> Ibid, at P157, 5.72

<sup>88</sup> [Procter & Gamble Co. v OHIM - Wikipedia](#) 'Procter & Gamble v. Office for Harmonization in the Internal Market (the 'BABY-DRY' case)'<sup>12</sup> is a case before the European Court of Justice about the registration of 'BABY-DRY' as a trademark for baby diapers. OHIM refused the registration of the brand as a community mark, saying that 'BABY-DRY' wasn't distinctive, but instead that it was descriptive without a secondary meaning.'

<sup>89</sup> Middlemiss/Phillips EIPR 2003 P398

<sup>90</sup> <https://guidelines.euipo.europa.eu/1922895/1924511/trade-mark-guidelines/3-3-2-1-factors-likely-to-indicate-the-existence-of-bad-faith> (Access Date: May 15, 2024)

<sup>91</sup> Ibid.

<sup>92</sup> Alexander Tsoutsanis, Trademark Registrations In Bad Faith, P105, 4.51

<sup>93</sup> [EUIPO Guidelines \(europa.eu\)](#) (Access Date: May 15, 2024).

<sup>94</sup> Ibid.

another party is using a similar trademark in a different country when submitting an application, which could potentially create confusion with the original mark, does not automatically imply bad faith.<sup>95</sup> Demonstrating knowledge or presumption of an existing sign is not required when the owner of the EUTM misuses the system to prevent any similar sign from entering the market.

All in all, if we consider the intention behind a trademark, several case scenarios that have been publicized as the EUIPO Guidance can help us understand what constitutes bad faith, even though it is a subjective assessment.

- a. *Bad faith arises when trademark applications are diverted for speculative financial gain.*<sup>96</sup>
- b. *The EUTM applicant may be acting in bad faith if it is believed that their intention is to benefit from the reputation of the party seeking invalidity or its registered marks, even if those marks have expired.*<sup>97</sup>
- c. *Failure to use a trademark for the specific goods or services it was applied for could be viewed as acting in bad faith if it negatively impacts others or if the intention was to obtain exclusive rights for a purpose unrelated to trademark functions.*<sup>98</sup>
- d. *If an individual registers an EU trademark (EUTM) subsequent to a prior relationship with another party, such as a pre-contractual, contractual, or residual relationship, this action may be interpreted as an indication of bad faith.*<sup>99</sup>
- e. *Submitting a subsequent application for a previous EUTM to circumvent the loss of rights due to non-use may be deemed as an act of bad faith.*<sup>100</sup>
- f. *Bad faith occurs when an EUTM owner applies for multiple national trademarks to block others from using the same trademark beyond the allowed periods of 6 months or 5 years (Article 58(1)(a) EUTMR) under the EUTM Regulation.*<sup>101</sup>
- g. *If a EUTM owner requests compensation from a party that applied for its invalidity, knowing about an earlier similar sign and expecting compensation, it may be considered bad faith.*<sup>102</sup>

### **3.5.3 Identification of Bad Faith in China**

The term "use" carries two requirements at the legal level, as outlined in Article 48 of Chinese trademark law. The first is the incorporation of trademarks in commercial activities, which includes but is not limited to the utilization of trademarks in products,

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<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> Ibid.

product packaging, containers, and goods transaction documents, as well as it has been put into advertising and exhibitions. The second requirement is that the user must effectively identify the source of goods. Therefore, "others have used" refers to the tangible use of signs by others in production and business activities that can aid in distinguishing the source of products. The legal interpretation of trademark use in relation to unregistered trademarks raises questions regarding the classification of passive use. While proactive use is clearly recognized as falling within the scope of trademark law as "already used," the status of passive use remains uncertain. When evaluating the legitimacy of squatting, it's important to consider the trademark registered by the squatter and its potential impact when utilized by others. This factor is essential in identifying any bad faith registration and assessing whether the registrant is knowledgeable or should be aware of their actions.

"A trademark with a certain influence" refers to a trademark that has gained recognition among the relevant public in a particular area, even if it is not registered.<sup>103</sup> This means that an unregistered trademark has managed to gain a certain level of influence through its use. The term "having a certain impact" should be subjective and not too strict or absolute.<sup>104</sup> Its definition should be broad and flexible to prevent squatting. When identifying bad faith trademark registration, the standard for "having a certain impact" should be lower than that for well-known trademarks. It is only necessary for the trademark to be recognized within a specific geographical area or relevant industry rather than requiring universal recognition.<sup>105</sup> Article 59 of the Chinese Trademark Law is designed to safeguard the accrued goodwill of the original user within the scope that has been designed for initially and to prevent the malicious appropriation of trademarks and the imposition of restrictions on the registered trademarks of others.<sup>106</sup> Therefore, it must have a higher degree of influence. The use of trademarks is crucial for establishing a clear identity, fostering stable relationships, and exerting influence in the market. The law strictly protects non-trademark use through prior rights provisions. When evaluating the impact of a trademark, several factors must be taken into account, such as market share, sales volume, advertising, use time, and consumer awareness. Recognition among the relevant public is crucial evidence of its influence. With the emergence of new media platforms, a one-size-fits-all approach to determining what constitutes "impact" is no longer appropriate. Instead, a comprehensive evaluation of various factors is essential for individualized judgment.<sup>107</sup>

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<sup>103</sup> The recognition and legal regulation of trademark squatting, Shanghai Intellectual Property Court, 2020. [商标抢注的认定及其法律规制 媒体视点 上海市知识产权局 \(sh.gov.cn\)](#) (Access Date: May 15, 2024).

<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> Ibid.



Trademark squatting is an unacceptable practice that occurs when a trademark is registered for unfair competition despite the knowledge or expectation that it has been previously used by others and has had a certain impact. Recognizing bad faith under specific circumstances is a critical issue that demands a firm and assertive approach. Determining whether an individual has acted in bad faith can be challenging. However, making inferences regarding their intent is possible by analyzing objective evidence and observing their external behavior. As a responsible community, we must hold perpetrators accountable for their actions and ensure that justice is served. In assessing an applicant's awareness or potential awareness of prior trademarks, it is essential to consider the originality, prominence, and geographic scope of the preceding trademark, along with the applicant's industry and post-registration conduct. Highly distinctive and significant pre-existing trademarks can give rise to the presumption that the applicant should have been aware of their existence. If the prior trademark lacks significance, a specific relationship between the applicant and the prior user can be used to determine if the applicant "knows" the trademark. Factors considered include peer relationship, cooperation experience or business dealings, and whether the applicant is an insider within a certain range.<sup>108</sup> In circumstances where a definitive judgment is challenging to render, it becomes imperative to consider the extent of a trademark's popularity and usage. Generally, the more widely recognized a trademark is, the higher the likelihood that the subsequent applicant is cognizant of it.<sup>109</sup> While the influence of the trademark that was used first is not insignificant, it is not as extensive as that of well-known trademarks. Typically, its scope of influence is limited to specific areas. Additionally, if the two sides of the trademark use area are different or far apart, the probability of the latter applicant being aware of it is significantly reduced.<sup>110</sup> Thus, a thorough analysis of the scope of use and popularity of a trademark is crucial for making an informed judgment. If it's unclear whether a trademark has been infringed upon, check the squatter's behavior after registration. If they register multiple trademarks but don't use them or profit improperly, it shows they knew or should have known the trademark was already in use.

#### **3.5.4 Compare Analysis**

The evaluation of bad faith in both China and the EU shows several similarities, which can be categorized into three levels. First, neither the EU nor China has a precise legal definition of "bad faith." Second, the established principle for addressing bad faith in the

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<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

EU necessitates a thorough evaluation on a ‘case-by-case basis<sup>111</sup>’. 1) Whether the applicant is aware or should be aware of others using the same or a similar mark in at least one Member State.<sup>112</sup> 2) Whether the applicant has the intention to prevent others from selling the product on the market.<sup>113</sup> 3) The extent to which the mark of another person is legally protected against the trademark of the trademark applicant.<sup>114</sup> China has implemented a comparable method for identifying bad faith. Based on the information and registration, if there is suspicion that the registrant is trying to exploit goodwill with bad intent, the registrant can present evidence to challenge this assumption. If successful, the decision can be reversed. Both underscore the importance of having legal support for determining dishonest intentions.

The distinction rests on two primary aspects. Registering a trademark in bad faith constitutes a form of trademark infringement. The Trademark Directive in the EU delineates the criteria for assessing trademark infringement, primarily focusing on similarity and the potential for confusion. Judicial and examination practices in trademark cases provide more specific interpretations and implementations of these standards. In the EU, the criteria for judging trademark infringement are based on objective similarity without considering the potential for confusion. The method of judgment involves an overall evaluation, considering various elements in relation to goods and the trademark itself. The potential for confusion is also considered; but with limited interpretation. The judgment method remains an overall evaluation, considering factors such as the resemblance of trademarks, similar goods, and the significance and popularity of the trademarks.<sup>115</sup> On the other hand, The distinction hinges on whether the absence of intent to employ a trademark should be construed as indicative of bad faith. Sky case (C-371/18) can be used to help us to understand the difference. Sky Plc is a company mainly serving satellite and digital television broadcasting services. They sued SkyKick as they ascertained that SkyKick infringed their mark “SKY”, but SkyKick counterclaimed to declare the invalidation of the mark owned by Sky Plc. SkyKick gave two reasons: 1) The registered goods/services are not clear; 2) There is no intention to use it, which is registration in bad faith. The main question is whether applying for a trademark without the intention of using it on specific goods and services constitutes bad faith<sup>116</sup>, and the

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<sup>111</sup> [EUIPO Guidelines \(europa.eu\)](#) (Access Date: May 15, 2024).

<sup>112</sup> Ibid.

<sup>113</sup> Ibid.

<sup>114</sup> Ibid.

<sup>115</sup> Wang Taiping, LU Jiehua: There are other criteria for judging trademark infringement in EU trademark law, 2015 [王太平, 卢结华: 欧盟商标法上侵犯商标权的判断标准 - 其他 - 专家园地 - 新闻资讯 - 知识产权司法保护网 \(知产法网\) \(chinaiprlaw.com\)](#) (Access Date: May 15, 2024).

<sup>116</sup> Ibid.

CJEU has given its opinion that a lack of intention to use a trademark constitutes bad faith.<sup>117</sup> However, the absence of intention is a critical determinant of bad faith, though not the only factor. In the context of determining bad faith, the CJEU has made reference to the standard outlined in the Koton case. This means that bad faith is when someone is "trampling on good faith, harming others" by deliberately applying for registration to block others' fair use, which disrupts the basic function of the trademark. But in China, as ruled in Article 4 of Chinese trademark law, there is no bound relationship between lack of the intention of using and registering in bad faith, even if lacking the intention of using a trademark, it doesn't mean bad faith, because there exist some applications just for defensive purpose. There are many cases of bad faith, not all of which are caused by "lacking intention of using".

### **3.6 Intricacies of the Language**

Language barriers caused by the intricacies of language could be an issue for trademark squatting. For example, if a foreign brand expands to China, it needs to consider language transliteration, which will be described in more detail in the following context.

Chinese has many homonyms and synonyms, which makes the creation and selection of trademarks highly flexible. This allows squatters to take advantage by registering trademarks that are similar to well-known brands in the hope of finding a gap in the law. In the context of trademarks, a Chinese transliteration refers to converting an English trademark into its Chinese equivalent. When an unofficial Chinese-language name gains popularity and recognition among consumers, a Chinese entity may secure legal registration for that name before the original trademark owner has the opportunity to do so, which results in potential conflicts and challenges for the original trademark owner seeking to protect their brand in the Chinese market.<sup>118</sup> In the Chinese market, a Western brand typically possesses a minimum of three marks: the original brand name, a "sound-alike" version, and the Mandarin definition of the brand.<sup>119</sup> Due to the existence of numerous analogous characters, forms, and sounds, a significant potential for creative infringement arises. Individuals engaging in trademark squatting have the capacity to manipulate the form, sound, or meaning of a trademark, enabling them to register marks that are perplexingly similar to their own.<sup>120</sup> Qiaodan Sports, a Chinese company, has successfully trademarked "Qiaodon," a straight Chinese transliteration of "Jordan." This term is

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<sup>117</sup> Ibid.

<sup>118</sup> Ibid. at 87–88.

<sup>119</sup> Lallemand, *supra* note 66, at 6.

<sup>120</sup> Ibid.

purportedly associated with the renowned NBA player Michael Jordan. After discovering that his name was being used without authorization, Jordan took legal action against the sports company. Following a lengthy legal battle lasting almost 8 years, the courts eventually ruled in Jordan's favor, ordering the company to compensate him with \$46,000 for emotional damages and \$7,600 for legal fees. Despite initiating a total of 80 lawsuits against the company since 2012, Jordan has been unable to secure complete trademark rights for his name in China. Besides, In China, there exist some special marks which were constituted by 'harmonic trademark'. Harmonic trademarks are very popular on the Chinese internet because of it easy to remember and easy to spread. For example, 'Viagra' and 'Weige (伟哥)', when Pfizer tried to develop a new market to sell their product 'Viagra' in China; regrettably, Pfizer did not hold the rights to the most widely used name for Viagra in China, which is Weige (伟哥), meaning "Great Older Brother." Instead, the company owns WaiAike (万艾可), a transliteration of Viagra that lacks meaning in Chinese and does not enjoy the same level of popularity and appeal as Weige.<sup>121</sup> Weige is proudly owned by a pioneering Chinese pharmaceutical company that originally registered the mark when the Chinese media popularized the term "Viagra."<sup>122</sup> Pfizer has made several efforts to contest the Weige mark, but so far, they have not been successful in obtaining ownership of it.<sup>123</sup>

### **3.7 Summary and Conclusions**

The chapter provides a comprehensive examination of the factors contributing to the higher prevalence of trademark squatting in China compared to the European Union. It delves into the legal history, trademark registering systems, and cultural determinants influencing this phenomenon, offering valuable insights into the complexities of trademark protection and enforcement across different jurisdictions. Together, these factors indicate that trademark squatting is a result of a variety of complex issues. Ultimately, unstable trademark laws, lower acquisition costs, narrow interpretations of bad faith, and language complexities all play a role in the prevalence of trademark squatting.

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<sup>121</sup> Chow, *supra* note 89, at 83.

<sup>122</sup> *Ibid*, at 87

<sup>123</sup> *Ibid*, at 91–92.

## **4. Possible Solutions and Remedies to Trademark Squatting**

### **4.1 Introduction**

Squatters aim at well-known trademarks for potentially lucrative profit, and their approaches and engagement are too strong to be ignored.<sup>124</sup> Addressing the impact of trademark squatting requires a comprehensive approach that involves cooperation between lawmakers and trademark holders. Both parties must collaborate to develop effective solutions to combat trademark squatting. Trademark owners must be proactive in protecting their intellectual property rights, while lawmakers need to establish clear and robust legislation to prevent and address trademark squatting. Collaboration between these stakeholders is essential in developing enforceable solutions to this widespread issue.

### **4.2 Possible Solutions**

#### **4.2.1 Strengthening of Trademark Law**

A robust trademark law is essential for protecting exclusive rights. Strengthening the law is the crucial first step in ensuring trademark protection. The best way to improve trademark law is to evolve by studying squatters' behavior and summarizing judicial experience, providing high-quality amendment suggestions, and promoting the further improvement of trademark registration and use systems. When the repercussions of illegal behavior are minimal, it creates an environment that fosters the spread of unlawful conduct. In order to effectively address the unauthorized use of intellectual property, it is crucial to confront both theft and the repeated hijacking of others' trademarks. Implementing strict accountability and punishment measures is essential to raise the costs associated with participating in illicit activities. The implementation of the Trademark Law and the Anti-Unfair Competition Law is crucial for preventing the unauthorized registration of trademarks, stopping the infringement of legitimate rights, and maintaining order in trademark registration and market competition.<sup>125</sup> This will effectively secure the rights and advantages of all parties involved and address their concerns about safeguarding their rights. Implementing the principles of the Trademark Law is also important to encourage the

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<sup>124</sup> [Gaining the advantage against trademark squatters - Lexology](#) (Access Date: May 15, 2024)

<sup>125</sup> How to deal with trademark malicious registration and abuse of rights? Supreme Court: Improve the rules of judicial adjudication, Ping, Lin, [如何应对商标恶意抢注、权利滥用？最高法：完善司法裁判规则 法治中国 澎湃新闻-The Thesis](#) (Access Date: May 15, 2024).

effective and lawful use of trademarks, eliminate "idle trademarks," and maintain a more efficient and fair market.<sup>126</sup>

Trademark proprietors should remain vigilant regarding changes in laws and regulations to devise effective coping strategies proactively. Securing a trademark for your brand or business is a foundational step in safeguarding brand legitimacy and thwarting trademark squatting.<sup>127</sup> By taking this important step, you can assert ownership of your brand, providing protection against unauthorized use by others. Obtaining a trademark registration for your brand also streamlines the legal process in the event of trademark squatting. Then, the next step is registering your trademark as early as possible, which is the easiest way to prevent trademark squatting.<sup>128</sup> Brand owners should also carefully evaluate the specific markets in which they plan to expand in the foreseeable future. It is essential to take into consideration the legal jurisdictions that prioritize the "first-to-file" principle when filing a trademark. This means that in such jurisdictions, the party that first files for a particular trademark holds the priority right to register it, regardless of prior use by others. Understanding and adhering to these legal frameworks is crucial for brand owners seeking to protect their intellectual property rights across different global markets.

#### **4.2.2 Simplifying obtaining systems and leveraging the Madrid Protocol**

Alternative methods exist for streamlining the procedure of acquiring and upholding trademark registration in foreign nations.<sup>129</sup> Through this approach, legitimate trademark holders possessing trademark rights in their respective countries can safeguard their rights internationally by acquiring international trademark protection via international trademark registration, and international trademark registration can effectively serve as a deterrent against trademark squatting.<sup>130</sup> Multiple international agreements also serve to harmonize the procedure for submitting applications for international trademark registration.<sup>131</sup> The Madrid Agreement and Madrid Protocol represent significant mechanisms enabling filing applications for international registration that cover multiple member countries.<sup>132</sup> The Madrid Protocol constitutes an international framework that facilitates the acquisition of

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<sup>126</sup> Ibid.

<sup>127</sup> [What is Cybersquatting? The Guide for Prevention - Flare](#) (Access Date: May 15, 2024).

<sup>128</sup> [Trademark squatting: what is it and how to prevent it? - Red Points](#) (Access Date: May 15, 2024).

<sup>129</sup> Ibid.

<sup>130</sup> Kitsuron Sangsuvan, Trademark Squatting, P274

<sup>131</sup> Int'l Trademark Ass'n, supra note 153 (A registration with the Benelux Office for Intellectual Property (BOIP) covers Belgium, Luxembourg, and the Netherlands. A Community Trade Mark (CTM) protects a trademark in all EU member countries. Filing with the African Intellectual Property Organization (OAPI) protects trademarks in all African member countries. There is also the possibility of filing with the African Regional Industrial Property Organization (ARIPO), under which a trademark owner can protect its trademark in the member states in southern Africa.)

<sup>132</sup> Ibid. (Under the Madrid Agreement, the nationals of any signatory country may secure protection of their trademark registered in the country of origin in all other Madrid Agreement Countries. Under the Madrid Protocol, nationals of any signatory country may secure protection in member countries based on a pending application in the country of origin.)

trademark protection across multiple jurisdictions via a unified application process.<sup>133</sup> Following approval by the World Intellectual Property Organization (WIPO), the trademark is accorded registration and recognition in all participating member states.<sup>134</sup> This not only streamlines the complexities associated with trademark registration and management but also represents a cost-efficient approach. Currently, the Madrid Agreement encompasses over 112 member countries.<sup>135</sup> In this framework, trademark proprietors are only required to submit a single application in a single language and remit a singular fee instead of lodging separate applications in the trademark offices of various member nations in diverse languages and making individual payments to each trademark office.<sup>136</sup> Filing an international application through the Madrid System can result in significant time and cost savings for applicants compared to filing individual trademark applications in each country where trademark owners intend to register the mark.<sup>137</sup>

#### 4.2.2.1 Monitor the use of trademarks worldwide

Trademark squatting involves targeting well-known trademarks to profit, using aggressive methods. Squatters have specific strategies, such as focusing on trademarks in certain fields and exploiting loopholes in registration strategies. They are deeply committed to maintaining their trademark registrations and actively obstruct prior right owners. This often leads to prior right owners giving up and negotiating with squatters. The Trademark Office should take the lead in improving monitoring and management. It is important to give priority to laws and regulations, encourage coordination among departments, and emphasize the enhancement of mechanisms and governance at the root level.<sup>138</sup> In regions highly impacted by trademark squatting, it is crucial to implement rigorous monitoring and efficient management practices. If necessary, considering the use of credit scores to regulate squatting behavior can be a valuable strategy.

Monitoring one's business's trademarks is essential in preventing trademark squatting, which can be harmful to your brand. By staying proactive with trademark registrations, you can quickly address any attempts to register a similar sign to your brand in the stage of cancellation and opposition. Cancellation and opposition proceedings are effective mechanisms for legitimate trademark holders to reacquire trademark rights from squatters

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<sup>133</sup> [Trademark squatting: what is it and how to prevent it? - Red Points](#) (Access Date: May 15, 2024).

<sup>134</sup> Ibid.

<sup>135</sup> Ibid.

<sup>136</sup> World Intell. Prop. Org., Madrid system, available at [http://www.wipo.int/madrid/en/faq/madrid\\_system.html](http://www.wipo.int/madrid/en/faq/madrid_system.html) (Access Date: May 15, 2024).

<sup>137</sup> Ibid.

<sup>138</sup> Notice of the State Intellectual Property Office on issuing the Special Action Plan for Combating Malicious Trademark squatting, Guozhi Development Office Letter No. 35 2021.

or counteract trademark squatting instances.<sup>139</sup> A trademark cancellation is a legal process initiated by a party to challenge and potentially eliminate an existing trademark registration from the official trademark registry.<sup>140</sup> In various jurisdictions, the process of canceling a legal action may be denoted by terms such as invalidation, nullity, rectification, or revocation actions.<sup>141</sup> Furthermore, an opposition refers to a challenge or objection made against granting a trademark registration at the trademark office level.<sup>142</sup> The legal provisions for pursuing trademark cancellation and opposition are delineated within the trademark laws of individual countries.<sup>143</sup> If potential trademark squatting is identified, it is important to take legal action to address the issue. If another party has registered a sign that closely resembles your trademark, it is important to take proactive steps to prevent this from happening. Taking legal action is the most effective way to protect yourself and your business from trademark infringement. Brand owners can choose to pursue a lawsuit against the trademark registrar. Additionally, using trademark dispute resolution services can be helpful in addressing trademark infringement. Companies and individuals can seek the help of these resolution services, such as UDRP or WIPO, to address the issue and prevent trademark squatting.<sup>144</sup>

#### 4.2.2.2 Establishment of publicly accessible databases

The International Trademark Association advocates for the establishment of publicly accessible databases aimed at identifying bad-faith trademark filers.<sup>145</sup> This objective can be achieved through the dissemination of decision records, collaboration with public authorities, and the potential creation of local or global repositories dedicated to bad-faith filers.<sup>146</sup> The meticulous maintenance of records pertaining to bad-faith filers is of utmost importance. This would allow examiners and judges to consult these records when determining if bad faith is present. Establish a clear and comprehensive procedure for individuals or businesses to report any suspected cases of trademark squatting, including specific guidelines for documenting and providing evidence of the infringement. This procedure should outline the actions to be carried out by the reporting party and the process for reviewing and addressing reported cases.

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<sup>139</sup> Kitsuron Sangsuvan, Trademark Squatting, P280.

<sup>140</sup> Int'l Trademark Ass'n, Cancellation of a Registered Trademark, available at <http://www.inta.org/TrademarkBasics/FactSheets/Pages/CancellationofaRegisteredTrademarkFactSheet.aspx>.

<sup>141</sup> Ibid.

<sup>142</sup> Int'l Trademark Ass'n, Oppositions, available <http://www.inta.org/Advocacy/Pages/Oppositions.aspx> (Access Date: May 15, 2024).

<sup>143</sup> Cancellation of a Registered Trademark, supra note 207.

<sup>144</sup> [What is Cybersquatting? The Guide for Prevention - Flare](#). (Access Date: May 15, 2024).

<sup>145</sup> The Enforcement Committee, Bad Faith Trademark Applications and Registrations, November 11, 2020.

<sup>146</sup> Ibid.



### **4.2.3 To Standardize the Interpretation of Bad Faith**

The recognition of "Bad Faith" as a legitimate reason for rejecting trademark applications or invalidating registrations throughout their term is crucial.<sup>147</sup> Granting trademark offices the power to refuse such applications during the initial examination process autonomously is essential to maintaining the integrity of the registration system.<sup>148</sup> Ensuring a uniform understanding of bad faith within the realm of trademark squatting is crucial for protecting intellectual property rights and fostering a level playing field for all. The concept of bad faith seeks to deter individuals or organizations from securing trademarks without the sincere intent to utilize them, thus impeding others from rightfully obtaining their own trademarks.

The current interpretation of the situation is highly subjective, making it difficult to reach a consensus on whether trademark squatting has occurred. The burden of proof required to demonstrate trademark squatting is currently considered to be excessive, creating challenges for those seeking to address this issue. Maybe a more objective way can be used to address trademark squatting; the first step is to harmonize the concept of bad faith at the international level. The most efficient method for addressing trademark squatting disputes is through the utilization of 'WIPO arbitration'<sup>149</sup>, as opposed to engaging in domestic litigation. The primary role of the WIPO Arbitration and Mediation Center is to facilitate the resolution of intellectual property and related disputes through private procedures, providing an alternative to court litigation.<sup>150</sup> The next step is to streamline the essential proof and impartially examine the burden of proof in the distribution system.

### **4.2.4 Strategies for Transliteration.**

The presence of language barriers can exacerbate the problem of trademark squatting, especially in languages with intricate structures. Translating trademark names is a form of cross-cultural communication, so translating Chinese trademarks into English involves not only language but also culture. The translation of trademarks into English must be able to adapt to the culture of the target language country and the preferences of consumers in that country. Therefore, both businesses and translators should prioritize the English translation of trademarks, make an effort to understand the culture of the target language country; and study the most appropriate translation methods. For example, In the context of China, it is

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<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

<sup>149</sup> WIPO has established dispute resolution services through the WIPO Arbitration and Mediation Center since 1994.

<sup>150</sup> Ibid.

imperative to safeguard both the sound and meaning of a trademark.<sup>151</sup> The infringement of a well-established brand's mark by trademark squatters is a common occurrence, often achieved through the manipulation of the form, sound, or meaning of the marks. This exploitation is facilitated by the rich inventory of similar characters, forms, and sounds within the intricate framework of the Chinese language.<sup>152</sup> Thus, trademarks most suitable for the Chinese market convey the unique essence of the brand without directly describing it or resorting to phonetic imitation.<sup>153</sup> Furthermore, when trademarking in China, it is essential for every company to not only adopt a Chinese character name but also to integrate the appropriate cultural intelligence to safeguard the preservation of the brand's meaning throughout the translation process.<sup>154</sup>

### 4.3 Remedies

Remedies serve as a way to address both registered and unregistered trademark squatting. This thesis can explore the various legal options available for dealing with trademark infringements, including civil remedies such as damages and injunctive relief. Trademark squatting is a serious form of trademark infringement.<sup>155</sup> The trademark owner has the right to take legal action against the infringing party, including seizing and destroying counterfeit goods and related manufacturing equipment, imposing fines, and pursuing criminal charges as necessary. When pursuing reparation for trademark infringement, the awarded damages should encompass the infringer's gains caused by the infringement and the losses suffered by the infringed party. This includes any reasonable expenses the infringed party has undertaken to stop the infringement. In China, in cases where neither the illegal profit nor the losses suffered can be precisely ascertained, statutory damage of up to ¥3 million (or up to ¥5 million as of November 1, 2019, under the amended Trademark Law) shall be granted based on the specific circumstances of the case.<sup>156</sup> When an EU trademark court identifies infringement, the principal remedy entails issuing an order to prohibit further infringement or threatened infringement. This order is typically accompanied by measures to ensure compliance with the prohibition, such as the imposition of a penalty payment.<sup>157</sup> Remedies within the European Union typically consist of quantified damages, such as compensation for the claimant's loss, disbursement of the profits derived by the defendant,

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<sup>151</sup> Lallemand, *supra* note 66, at 6.

<sup>152</sup> *Ibid.*

<sup>153</sup> *Ibid.*

<sup>154</sup> *Ibid.*

<sup>155</sup> [Trademark Squatting: Trademark Registration by Lawgenix](#).

(Access Date: May 15th, 2024).

<sup>156</sup> [Trademarks - Remedies for infringement around the world - DLA Piper Guide to Going Global \(dlapiperintelligence.com\)](#) (Access Date: May 15, 2024).

<sup>157</sup> [Trademark enforcement in the European Union - Lexology](#) (Access Date: May 15, 2024).

or payment of hypothetical royalties.<sup>158</sup> Punitive damages are generally not a common occurrence in civil law, although they are permissible and are progressively being sought after.<sup>159</sup>

#### **4.4 Summary**

Throughout this chapter, I delved into various methods to address the issue of trademark squatting based on its underlying causes. While enhancing existing trademark laws represents a crucial initial step, exploring additional strategies or initiatives to confront this issue effectively is equally important. For instance, one potential approach could involve registering a trademark within the international system using a more streamlined acquisition process. This could serve as a viable method for countering trademark squatting. Furthermore, it is imperative for trademark holders to actively monitor the utilization of their trademarks on a global scale and to reconsider the subjective evaluation of bad faith in order to combat trademark squatting effectively. Additionally, considering transliteration strategies when assessing a trademark's transliteration is paramount. Remedies can be a way when trademark infringement happens, including seizing and destroying counterfeit goods, imposing fines, and pursuing criminal charges. Damages should cover the infringer's profits and the losses incurred by the infringed party.

#### **5. Conclusion Remarks**

Trademark squatting occurs when individuals or entities register trademarks in jurisdictions where they lack legitimate business operations, taking advantage of the "first-to-file" systems. This type of trademark infringement is increasingly prevalent, particularly in the EU and China. The annual incidence of trademark squatting exceeds 8800 cases, nearly 20 times more than in the EU. In the EU, trademarks are often registered as domain names, posing a common squatting issue. In China, trademark squatting is widespread, with individuals preemptively registering unregistered trademarks used by others or trademarks that violate the prior rights of others. For instance, the Chinese translation of basketball star Michael Jeffrey Jordan's name, "Jordan," was submitted for trademark registration.

Five main aspects should be considered when comparing trademark squatting in the EU and China: legislative history, the trademark-obtaining system, the cost of obtaining a mark,

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<sup>158</sup> Ibid.

<sup>159</sup> Ibid.

the protection rule for well-known marks, and the interpretation of registering a trademark in bad faith. Language issues also arise when transliterating a mark into the local language.

Given the pressing nature of the situation and the urgency of addressing trademark squatting, it is important to consider strengthening the trademark law over time to prevent squatters from exploiting the system. Potential solutions could involve simplifying obtaining systems and leveraging the Madrid Protocol, allowing trademark holders to protect their rights on an international scale. This could act as a deterrent against trademark squatting.

Ensuring a consistent understanding of bad faith within trademark squatting is crucial for safeguarding intellectual property rights and promoting a level playing field. Companies should also pay close attention to language-related trademark squatting and develop strategies when translating a brand into a foreign language. Additionally, measures should be implemented to address both registered and unregistered trademark squatting.

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