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Time： Mar 31 2021

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Zhigang Zhu, Mar 31, 2021, MARQUES Class 46 Blog

On 18 March 2021, the Minhang District (Shanghai) Court published on its website a judgment, rendered on 25 September 2020, which could become a precedent in the fight against trade mark squatting.

This case concerned a form of trademark squatting that targets the owner of a reputable trademark. The squatter files large numbers of identical or similar marks, preferably in classes of goods or services where the targeted trademark is not registered.

This kind of behaviour forces the victim to file numerous oppositions or invalidation actions and therefore incur significant costs.

BRITA v DEBRITA

In this case, the targeted trademark was BRITA and its Chinese transliteration, registered respectively in 1993 and 2010, by the German company BRITA GmbH, in class 11, for water purification systems. The German company also registered several sub-brands and acquired a certain reputation in the field.

A Chinese company, Shanghai Kangdian Industrial Company (Shanghai Kangdian) registered a trademark DEBRITA in the same class, and filed 21 other applications in other classes, based on which Shanghai Kangdian challenged the registration or use, by BRITA Gmbh, of its own trademarks in various sectors.

It took eight years for BRITA Gmbh to finally obtain the invalidation of the DEBRITA trademarks and put a term to the harassment pursued by Shanghai Kangdian.

Unfair competition

The cost of these administrative and judicial procedures, added to the damage caused by the infringement actions committed the Shanghai Kangdian, was such that BRITA Gmbh decided to seek compensation and sue Shanghai Kangdian before the Minhang District Court.

The Chinese subsidiary of BRITA Gmbh, whose business had been affected by the acts of Shanghai Kangdian, joined in the action.

One of the focal points of the dispute was whether the use of trademark administrative procedures could be considered abusive, malicious and constitute acts of unfair competition.

The Minhang District Court held that the trademark legal system gives business operators the procedural means to protect their own trademark rights. However, business operators must not use such procedures to pursue illegal purposes.

The court cited Article 2 of the Law of the People’s Republic of China on Anti-Unfair Competition, which defines the term “unfair competition” and refers to the conduct of business operators who harm the lawful rights and interests of other business operators and disrupt the social and economic order.

The Court held that the defendant's malicious pre-emptive registration of trademarks and abuse of trademark administrative procedures violated the principle of good faith and business ethics and disrupted the order of

market competition. Therefore, the defendant's behaviour constituted acts of unfair competition.

Financial consequences of bad faith

This decision gives high hopes to the victims of trademark squatting. They have to spend huge sums of money to keep the trademark registry clear of these many, identical or similar, trademarks while the cost of filing of such trademarks is only few hundred Rmb and constitutes no risk for the trademark squatters.

It will be only fair if, once the bad faith of trademark squatters has been established by a final decision, the squatters face the financial consequences of their bad faith.

First published by *Marques*

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