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Trademark squatting in China doesn't sit well with U.S. retailers

Chinese businesspeople hoping to cash in on American firms' interest in their booming market are registering names such as Kardashian, J. Crew, Justin Bieber and Angry Birds. It's legal, and China's laws favor the first filer.

By David Pierson, Los Angeles Times

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BEIJING — The Kardashian sisters don't sell their clothing and perfume in China, and you can't buy authentic J. Crew khakis here. But both names are already trademarked by Chinese businesspeople looking to profit from American enterprises that want to tap China's booming retail market.

Extortion? Nope. It's called "trademark squatting." And it's legal in China, where trademarks generally are awarded to those who are first to register them with government authorities. If these and other U.S. companies want to use their own names, they probably will have to pay the Chinese holder for the rights.

That's a major contrast to the U.S., where the law tends to favor the first user. And it has led to a crush of applications in China to tie up the names and logos of well-known foreign brands, either to resell them or use them on Chinese-made products.

About 600,000 trademarks were filed in China last year, according to Thomson Reuters research. That's about three times more than in the U.S., the runner-up.


Although it's unclear how many of the recent Chinese applications were for established Western brands, anything appears to be fair game.

A man in Guangzhou registered the name of teen idol Justin Bieber. A Shanghai snack maker took the name and logo of the popular computer game Angry Birds. In northeastern Liaoning province, someone owns the trademark to make clothing under the Oprah Winfrey brand. The Facebook trademark has been registered for a variety of products, including soccer cleats and condoms — even though the social media site is banned in China.

"It's not as sexy as counterfeiting, but trademark squatting is a big problem," said Mark Cohen, former intellectual property attache for the U.S. Embassy in Beijing and now a visiting professor of law at Fordham University. "The system creates lots of opportunities for abuse. It's very common for foreign


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companies to give in and pay."

The practice has been given renewed attention with Apple Inc. embroiled in a legal battle with a financially troubled Chinese electronics company that holds the rights in China for the iPad name.

Proview Shenzhen is seeking \$1.6 billion in compensation from the Cupertino, Calif., technology giant.

Proview has owned the iPad trademark since 2000, a decade before Apple's tablet computer was launched, so experts don't consider it a typical example of squatting. Still, they said the high-profile case could inspire countless others to join China's trademark free-for-all.

Chinese law does provide some protection for foreign companies.

Those that can prove that their name or brand was too well-known for the Chinese trademark owners to have registered it in good faith can prevail.

But it's not easy, said Stan Abrams, a law professor at the Central University of Finance and Economics in Beijing.

"The system here on the whole is geared towards first to file, and it takes a lot of time and effort to rebut the presumption that the registrant filed in bad faith," he said.

Apple may have good reason to worry.

In just the last month, two famous global luxury brands have been dealt setbacks by Chinese courts. Hermes International lost a bid to stop a small Chinese clothing maker from making neckties under the luxury brand's Chinese name, Ai Ma Shi. Chivas Bros. failed to stop another garment firm from selling clothing labeled with its Chivas Regal Scotch whiskey logo.

Chivas said it would continue to appeal. Hermes International did not respond to requests for comment.

Pfizer Inc. tried unsuccessfully for 11 years to stop a Chinese pharmaceutical company from selling a drug using the popular Chinese name for Viagra, Wei Ge, which translates to "Mighty Brother."

"These guys are using the goodwill of other brands to sell their own stuff," Abrams said. "This is why we're supposed to have trademark enforcement."

Basketball Hall of Famer Michael Jordan is one of the latest to test China's legal system. The former hoops star filed a lawsuit last month against a well-known Chinese athletic apparel brand named after Jordan in Chinese, Qiaodan (pronounced chow-dan).

Qiaodan Sports Co., which is valued at about \$350 million and is planning an IPO, uses a logo that resembles Nike's Air Jordan silhouette and is accused by Jordan of duping Chinese consumers into thinking it was the official brand of the former Chicago Bulls legend.

A search of China's national trademark database reveals the company also owns the rights in Chinese to the Hu Ren Dui or Lake People Team — the common name here for the Los Angeles Lakers.

Qiaodan did not respond to requests for comment.

If Jordan wins, he won't be the first basketball star in China to prevail in a trademark dispute. Several years ago, retired Houston Rockets star and Shanghai native Yao Ming blocked a company from using his name on a line of women's sanitary napkins.

Meanwhile, a sporting goods maker in eastern Jiangsu province continues to manufacture basketballs emblazoned with Jeremy S.H.L., the Romanized Chinese initials of New York Knicks sensation Jeremy Lin.

Yu Minjie, the owner of the company, trademarked the name in 2010, reportedly because she saw great potential in the Chinese American athlete.

Other trademark holders say it was serendipity that led them to their curious names.

Xu Junwu, who makes public-address systems under the J. Crew brand in Guangdong, said he's never heard of the U.S. clothing chain and explained that his sales team came up with the name.

"They just picked something easy to remember without a lot of letters," he said.

But if the American retailer decides to open stores in China one day, Xu said, he isn't prepared to give it up easily.

"We've put a lot of effort into building this brand," Xu said. "We're recognized in China."

Zhen Yongyu said he trademarked Eminem after he saw it written on a bar in Hong Kong. He now wants to import Scottish whiskey and Russian vodka under the name and a logo, which looks identical to the Detroit rapper's album covers.

"I've never heard of Eminem," said Zhen, who's based in Beijing. "The only Western artist I know is Lady Gaga," which is already trademarked by a Beijing company to make walking sticks and sausage casing.

Zhen, who said he's now focused on developing a brand of liquor for women, is open to negotiation.

"If this Eminem turns out to be a famous singer, we're willing to cooperate as a potential partner to release this brand in China," he said. "We're also open to selling it."

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