TRADEMARK SQUATTING

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ABSTRACT

Trademark squatting is a nightmare for brand owners and global business entities today. It is also increasing in many countries around the world. Generally, trademark squatting is an act of registering other people’s marks as their own by squatters in other countries in order to gain benefits from original marks or real trademark owners. Many brand owners or business entities have recently confronted this problem while there is no particular resolution. For example, Apple Inc. was in its dispute over the iPad name with the Proview in China. The iPad dispute was ended when Apple Inc. transferred 60 million to the Proview. Therefore, this Article describes the aspects of trademark squatting and how the principle of territory results in trademark squatting. The Article also addresses how to protect original marks from trademark squatting and how to regain trademark rights from trademark squatters. Finally, the Article proposes using WIPO Arbitration to resolve trademark squatting cases rather than domestic litigation.

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INTRODUCTION

“A global economy establishes an integrated market for all goods or services which are produced across the world.”¹ Many firms thus enter foreign markets to increase sales and profits because they see enormous growth potential in international markets.² Worldwide branding has become an increasingly important marketing tool as companies seek to provide their goods and services to a public that is less restricted by international borders.³ As the Internet becomes a common form of global communications⁴, trademarks have an important role in

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² KATE GILLESPIE & H. DAVID HENNESSEY, GLOBAL MARKETING 5 (3d ed. 2010)
⁴ Thomas L. McPhail, Global Communication: Theories, Stakeholders, and Trends, 124 (3d ed. 2010)
global business. Essentially, a trademark is a distinctive sign used to differentiate between identical or similar goods and services offered by different producers or services providers. A trademark is also a valuable asset, part of the “goodwill” of the business.

Since trademarks attach to virtually every good and service traded, the globalization of trade leads to the globalization of trademarks. Many firms have therefore developed their global brands in global markets. However, there has been an increase in international trademark infringement or trademark counterfeiting behind the growth of the global markets. Foreign infringers seek the opportunity to profit from the goodwill of other major marks, while trademark owners have tried to protect their marks on the international level.

As a result of this trademark squatting has emerged in the past decade. Similar to brand piracy, trademark squatting is based on a circumstance in which identical trademarks are registered in different countries by different people. Many firms seeking to do business in other countries have found that their trademarks have already been registered by local businesses or squatters who will release the marks only if they receive a payment from the real owners. Companies may have to buy their own brand rights from a squatter in another country because the squatter first register the mark in his country.

10 Miriam Bitton, *Rethinking The Anti-Counterfeiting Trade Agreement’s Criminal Copyright Enforcement Measures*, 102 J. CRIM. L. & CRIMINOLOGY 67, 68 (2012) (“Counterfeiting today is a $600 billion industry worldwide and accounts for 5%-7% of global trade. It is estimated that in the United States alone, counterfeiting accounts for over $200 billion annually. In the last two decades, counterfeiting has increased by more than 10,000%.”).
11 Bosling, supra note 7, at 137; Scott A. McKenzie, Comment, *Global Protection of Trademark Intellectual Property Rights: A Comparison of Infringement and Remedies Available in China Versus the European Union*, 34 GONZ. L. REV. 529, 530–531 (suggesting that business entities and individuals have a legitimate interest in protecting their trademark abroad.).
trademark squatting. Russia and China are two prime examples of countries in which trademark squatting has taken place.

In 1997, the Starbucks Corporation, from Seattle, Washington, registered its trademark “Starbucks” in Russia. The mark was not used in Russia in association with the operation of coffee shops, but somehow Starbucks brand coffee was being sold in a small café in Moscow. In 2002, Sergey Zuikov, a lawyer and trademark squatter in Russia, filed to cancel the chain’s trademark because it had not been used in commerce, and he then registered it in the name of a Moscow company that he represented, Starbucks LLC. After Starbucks LLC obtained a registration for the trademark Starbucks in Russia, the company began to offer Starbucks franchises and announced plans to set up a chain of Starbucks coffee shops throughout Russia. It also approached the Starbucks Corporation with an offer to sell the registered trademark rights for approximately $600,000. Starbucks Corporation refused to pay the squatter, but brought an action to cancel the Starbucks trademark registration. The Federal Service for Intellectual Property or Rospatent which controls and supervises the legal protection and exploitation of intellectual property rights in Russia ruled in favor of the Starbucks Corporation and the “pirated” registration was cancelled.

Seidenberg, supra note 11.

NATIONAL TRADE ESTIMATE REP. ON FOREIGN TRADE BARRIERS 315 (25th ed. 2011) (U.S. firms complained about “trademark squatting” by Russian enterprises attempting to appropriate well-known trademarks not active or registered in Russia. Right holders have countered “trademark squatting” scheme though the Russian court system or the Russian Federal Service for Intellectual Property, Patents, and Trademark (Rospatent); U.S. INT’L TRADE COMM’N, USITC NO. 4226, CHINA: EFFECTS OF INTELLECTUAL PROPERTY INFRINGEMENT AND INDIGENOUS INNOVATION POLICIES ON THE U.S. ECONOMY, box 3.4 at 3-33 (May 2011) (showing industry comments and concerns about trademark infringement in China, including Trademark Squatting.).


Id.

Id.

Id.

Id.

Id.

Id.

Id.

Id.

Id.

Id.

Id. (cancelling registration on the grounds that: “(1) it was likely to cause confusion as to the manufacturer of the goods, contrary to Article 6(2)(1) of the Russian Trademark Law No. 3520-1 (Trademark Law); (2) it was confusingly similar to the primary component of the Starbucks corporate name, the rights to which had arisen prior to the “pirated” mark’s registration date, contrary to Trademark Law Article 7(2)(1); and (3) it reproduced the STARBUCKS logo, in violation of Starbucks Corporation’s copyright.”)
appealed and obtained an injunction preventing the cancellation of the registration pending the appeal’s outcome.\textsuperscript{23} However, the Arbitration Court, which deals with intellectual property disputes more effectively than Russian courts,\textsuperscript{24} upheld the Rospatent decision, and the pirated Starbucks registration was cancelled.\textsuperscript{25} Eventually, the Starbucks Corporation obtained registrations for its Starbucks trademarks in Russia and provided the Russian market with its coffee houses and branded coffee products.\textsuperscript{26}

Similarly, Apple Inc. owns a trademark on the term “iPad,”\textsuperscript{27} but was unable to use it in China. The Chinese company Proview Technology (“Proview China”) had used the iPad trademark in 1988 and first registered it in China in 2001, years before Apple Inc. introduced its iPad.\textsuperscript{28} Apple Inc. entered into an agreement to purchase the iPad trademark in a number of countries, including China, from a Taiwanese company, Proview Electronics Co. Ltd (“Proview Taiwan”).\textsuperscript{29} However, Proview China argued that it was the real owner of the iPad trademark in China and that its subsidiary, Proview Taiwan, had sold the iPad trademark to Apple Inc. in a global trademark agreement that excluded China.\textsuperscript{30} Apple Inc. and Proview China battled in both Chinese and U.S. Courts. Proview China claimed that it owned the iPad trademark and had the authority to prohibit retail sales of Apple’s iPad in China.\textsuperscript{31} Apple Inc., on the other hand, claimed that it had actually wanted to contract with the correct party, Proview China, but Proview China had insisted on selling the trademark through its Proview Taiwan affiliate to avoid having to pay its creditors.\textsuperscript{32} Apple Inc. offered to pay Proview China $16 million for the rights to the iPad name in China, but Proview China

\textsuperscript{23} Id.
\textsuperscript{24} The Russian judicial system is notorious for exhausting litigation. Intellectual property disputes have been settled in Russian arbitration courts. Russian arbitration courts are standing institutions governed by the rules of arbitration procedure set forth in the Code of Arbitration Procedure of the Russian Federation.
\textsuperscript{25} Id.
\textsuperscript{26} Id.
\textsuperscript{29} Id.
\textsuperscript{30} Id.
\textsuperscript{31} Id.
\textsuperscript{32} Id.
was reportedly looking for $400 million. Finally, Apple agreed to pay $60 million for the ownership of the iPad trademark in China. Apple Inc. could then start selling the new iPad in China after settling the dispute over the ownership of the tablet computer’s name.

Although this second example was not a true trademark squatting case, the spotlight is currently on China’s trademark regime and other international brands. There is a lot of trademark hijacking or squatting in China.

Another true example of trademark squatting is Pfizer’s trademark on “Viagra” in China. Pfizer, as a brand owner, cannot use the Chinese transliteration “Weige” as a trademark in the country. Pfizer does not own the “Weige” trademark, which Viagra is best known by in China and in the entire Chinese-speaking world. A Chinese company, the Guangzhou Viamen Pharmaceutical Company, had first registered the “Weige” trademark in China. The battle over the “Weige” trademark in China meant that the market for Viagra in China has been almost entirely lost to counterfeiters and pirates. In addition to Viagra, Michael Jordan and Britney Spears have both been involved in disputes regarding the use of their names in China. Trademark piracy or squatting in China is rampant and continues to cost foreign trademark

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37 Daniel Chow, Lessons From Pfizer’s Disputes Over its Viagra Trademark in China, 27 Md. J. INT’L L. 82, 83 (2012) (“Pfizer is a U.S. company with trademarks and patent for the drug, Viagra. Pfizer wanted to expand its products into China. The Chinese media and Chinese consumers-not Pfizer-gave Viagra a Chinese name (Weige), which was a transliteration of the English word. However, Pfizer cannot own the best-known mark for Viagra in China, Weige or “Great Older Brother.” A Chinese company, Guangzhou Viamen Pharmaceutical Company, first registered “Weige", so the company owns the “Weige" trademark. Pfizer owns Wai Aike, a transliteration of Viagra that has no meaning in Chinese and lacks the cachet, wit, and the appeal of Weige.”)
38 Id.
39 Id.
40 Id. at 83.
41 Id. at 99.
42 Mao, supra note 35.
owners billions of dollars in lost sales and jobs. Many brand owners, especially in the United States, have attempted to confront this problem, but have found no effective measure to stop it.

This article describes the aspects of trademark squatting and attempts to figure out how to protect original trademarks from trademark squatting. This article does not address how trademark laws in any particular country can prevent or deal with trademark squatting, but instead provides substantial arguments about how to protect the original marks from trademark squatting. Part I discusses what trademark squatting is and how the principle of territoriality results in trademark squatting. It also addresses whether trademark squatting is considered trademark infringement and whether real trademark owners, especially in the United States, can bring trademark squatting cases in their domestic court, based on the theory of extraterritorial jurisdiction. Part II discusses how to protect original trademarks from trademark squatting through registration. Particularly, it will focus on how international trademark registration and convention priority protect real trademark owners from trademark squatting. Part III addresses how owners can regain trademark rights from trademark squatters through cancellation or opposition proceedings. It will examine how a mark registered by squatters can be revoked or declared invalid. This part will also discuss possible grounds for cancellation or opposition in trademark squatting, including well-known mark, bad faith, and non-use grounds. Finally, Part IV addresses how World Intellectual Property Organization (“WIPO”) arbitration should be used to resolve trademark squatting disputes rather than domestic litigation.

I. TRADEMARK SQUATTING

A. AN APPEARANCE OF TRADEMARK SQUATTING

The WIPO defines trademark piracy (or trademark squatting) as “the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use.” As Professor Doris Long has stated, a trademark squatter is a person who seeks to register third-party marks domestically before their legitimate

44 WORLD INTELL. PROP. ORG., WIPO INTELLECTUAL PROPERTY HANDBOOK, 90 (2008).
right holders have an opportunity to secure their rights. A trademark squatter steals another’s mark and registers it as a trademark in his countries knowing that it belongs to someone else. After registering another’s trademark in his country,

a squatter can: (1) sell the trademark back to the real owner; (2) distribute products labeling the trademark to consumers who believe the products are real; (3) exclude the real owner from the market by establishing a claim of a trademark infringement; or (4) use the trademark to market products which are different from those sold by the real owner.

The real trademark owners will not be able to use their brands or marks in their products or services in that country. They may also lose control and ownership of the marks. However, the real trademark owners may regain control of their marks by bringing legal action against the squatter or paying money to the squatter. Either method is likely to be expensive. Moreover, trademark squatting is not merely limited to well-known brand owners. Small- and medium-sized businesses that are growing and expanding into the foreign markets can also be targets. Trademark squatters may look at small- and medium-sized businesses’ trademarks and hijack the trademarks’ value in order to resell them in the future. Trademark squatters can gain information about the growing small- and medium-sized businesses from the Internet or see the products or services in other countries.

46 Id.
48 Chow, supra note 36, at 88.
49 Slotkin, supra note 46, at 673.
50 Id.
51 Small Business, OFF. U.S. TRADE REP., http://www.ustr.gov/trade-topics/small-business/ (last visited Oct. 27, 2012) (according to the Office of the United States Trade Representative (USTR), “Small businesses are the backbone of the U.S. economy, and the primary source of jobs for Americans. Small-and medium sized enterprises (SMEs) also account for the largest group of U.S. exporters and are a major user of imported goods. In October 2009, USTR launched a new trade policy initiative to enable SMEs to grow their businesses and generate jobs through international trade. An agency-wide working group is ensuring that policymaking and enforcement better serve small-and medium-sized enterprises. USTR has also requested an investigation by the International Trade Commission on the role of small-and medium-sized exporters, to inform trade policy efforts.”).
B. THE PRINCIPLE OF TERRITORIALITY AND TRADEMARK SQUATTING

Every trademark system relies on the principle of territoriality. The principle of territoriality was recognized in the Paris Convention. Article 6(3) of the Paris Convention states “a mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.” This means that a mark can only be enforced within the country in which it is registered. For example, foreign registration of a mark cannot create trademark rights in the United States. The owner of a foreign mark has no rights to use that mark in the United States or to prevent others from using it absent use or registration in the United States. If foreign firms want to use their particular marks in their goods or services in the United States, they would have to obtain trademark rights under the United States trademark law. This is because a registered trademark receives protection of the mark within the territorial boundary.

52 3 RUDOLF CALLMANN, CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 76:4, at 1221 (1950).
(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.
(2) However, an application for the registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration, or renewal, has not been affected in the country of origin.
(3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union including the country of origin.”) 
56 La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F. 2d 1265, 1270 n.4 (2d Cir. 1975).
The principle of territoriality also includes statutory schemes or trademark law applying to trademark rights. Countries can establish their own trademark rules regarding the scope of rights, applicable legal norms, conditions, and the acquisition and enforcement of rights. Trademark law in one country also governs trademark rights in its own jurisdiction. More importantly, one nation’s trademark law does not extend to other nations’ borders. For instance, the United States courts will not be able to maintain jurisdiction over actions that seek to enforce those trademark rights that only exist under foreign trademark law.

The principle of territoriality, however, results in trademark squatting. Since the substantive rights of a real trademark owner only exist in his or her own country, the ownership of a mark in one country does not automatically confer upon the owner of the exclusive right to use that mark in another country. The same marks can be owned and registered by different people in different countries. Consumer recognition may also differ from country to country. Squatters can use this loophole to gain the trademark rights and protection through the registrations in their countries. The trademark rights and protection that squatters gain are separate from those of the real owners and only exist in the squatters’ jurisdiction.

C. ACQUISITION OF TRADEMARK OWNERSHIP: FIRST-TO-USE & FIRST-TO-FILE

The first-to-use and the first-to-file are the basic systems for obtaining trademark rights. However, the two different systems create different legal procedures for obtaining trademark rights and protection. One system also results in trademark squatting, whereas the other may

60 Id. at 893.
63 Jeffrey M. Reichard & Sam Sneed, The Famous Marks Doctrine: A Call for American Courts to Grant Trademark Rights to Famous Foreign Marks, 9 WAKE FOREST INTELL. PROP. L.J. 85, 86 (2009).
64 Id.
65 See MCCARTHY supra note 54, at 29:25 (suggesting territoriality principle means that it is possible that the same mark identifies two different sources in two different nations.).
66 ALEXANDER TSOUTSANIS, TRADEMARK REGISTRATIONS IN BAD FAITH, 13 (2010).
not create it. In a first-to-use system, an exclusive right to the trademark is basically obtained by the first user. Trademark squatting may not take place in this system even though the first use of the trademark establishes ownership or determines who initially owns the trademark rights. More importantly, using a mark to obtain trademark rights is very difficult for trademark squatters. First, squatters may not really want to use the marks in goods or services. They may have to provide accurate and reliable information about themselves to consumers. Second, trademark uses cost a lot of money. For instance, squatters may have to determine whether their proposed marks have been used in the marketplace by conducting researches or having a professional trademark research firm conduct a thorough search for them.

Moreover, trademark rights are meant to be used in commerce and trade in a specific way. Trademark uses may increase fair and efficient marketplace competition. The use requirement responds to the purpose of trademark rights and indicates the intention of users to use and own the trademark. The use requirement also prevents trademark registers from blocking unused marks, which precludes the valid registration of identical or similar marks. Thus, the use requirement can stop squatters from obtaining or stealing other companies’ marks or brands. Additionally, trademark squatting may not be able to occur in common law countries. Common law countries, such as Canada and the United States, rely on the first-to-use system and particularly confirm that trademark rights can be acquired through use in their jurisdiction. For instance, in the United States, the Lanham Act requires “use” of a mark “in commerce” in order to acquire the trademark rights. A trademark

Id. at 14


The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—
owner must register the mark in the United States Patent and Trademark Office ("PTO") with a verified statement proving that the mark is in use in commerce.\textsuperscript{73} The first use of a mark in a squatter’ country is also not considered the priority of use under the first-to-use system. This is because the priority of trademark rights depends on priority of use in the country, and not anywhere else in the world.\textsuperscript{74} Accordingly, trademark squatters may not obtain trademark rights through the use requirement in the common law countries.

By contrast, trademark squatting often occurs in a first-to-file system or in civil law countries.\textsuperscript{75} In the first-to-file system, an exclusive right is created by applying trademark registrations.\textsuperscript{76} This means that only trademark registration provides legal certainty on exclusive rights to the use of the trademark.\textsuperscript{77} The first party who registers the trademark or completes the registration process acquires the right to use it.\textsuperscript{78} The system determines the entitlement to a certain trademark simply by relying on the date of application or date of priority.\textsuperscript{79} An application to register a trademark can be made to the national trademark office in the

\textsuperscript{73} Peter C. Christensen & Teresa C. Tucker, The “Use In Commerce” Requirement for Trademark Registration after Larry Harmon Pictures, 32 IDEA 327 (1992); 15 U.S.C.S. § 1051(d).
\textsuperscript{74} Alexis Weissberger, Note, Is Fame Alone Sufficient To Create Priority Rights: An International Perspective On The Viability of the Famous/Well-Known Marks Doctrine, 24 CARDOZO ARTS & ENT. L. J. 739, 747 (2006).
\textsuperscript{75} Slotkin, supra note 46, at 672–73 (showing generally, trademark piracy occurs more often in civil law countries than in common law countries like the United States.); U.S. International Trade Commission, supra note 14 (China has a first-to-register system that requires no evidence of prior use of ownership, leaving registration of popular foreign marks open to third parties.); Kenneth L. Port, The Congressional Expansion of American Trademark Law: A Civil Law System in the Making, 35 WAKE FOREST L. REV. 827, 832–33 (2000) (explaining that civil law countries recognize the trademark rights based on the registration of the mark, rather than actual use in commerce.).
\textsuperscript{76} TSOUTSANIS, supra note 67, at 16.
\textsuperscript{79} TSOUTSANIS, supra note 67, at 17.
country where the applicant wishes to protect the mark.\textsuperscript{80} The process in a first-to-file system is also much easier and less costly than that in a first-to-use system.\textsuperscript{81} Any individual, organization, or business entity proposing to use a trademark to identify its goods or services may be entitled to register its marks. As a result, squatters do not have to invest or bring a trademark into “use.”\textsuperscript{82} Squatters merely submit an application to a trademark office and propose to use a mark after they find a major brand name or an interesting mark. The trademark rights sought by squatters exist once the trademark office considers that the application meets all the requirements for registration and it is consequently allowed to proceed to publication and entry in the register.\textsuperscript{83} A trademark registration can also remain valid forever, provided that the registration is periodically renewed.\textsuperscript{84}

D. TRADEMARK SQUATTING AS TRADEMARK INFRINGEMENT

Trademark owners have the legal rights to exclusive use of the mark in relation to the goods or services for which it is registered.\textsuperscript{85} Trademark owners can prevent unauthorized use of the trademark from other parties.\textsuperscript{86} Trademark infringement is considered the violation of exclusive rights attached to a trademark without the authorization of the trademark owner.\textsuperscript{87} The touchstone of trademark infringement is the likelihood of confusion.\textsuperscript{88} The cornerstone of trademark infringement is the likelihood of harm to reputation and goodwill, both of which have economic consequences to the trademark owner who faces potential infringement of the mark.\textsuperscript{89} Accordingly, trademark infringement exists

\textsuperscript{80} Trademark Basics: A Guide for Businesses, supra note 70.

\textsuperscript{81} Id.

\textsuperscript{82} Slotkin, supra note 46, at 673 (explaining “use” without registration provides no protection to users).

\textsuperscript{83} TSOUTSANIS, supra note 67, at 17.

\textsuperscript{84} Trademark Basics: A Guide for Businesses, supra note 70.

\textsuperscript{85} MARK J. THRONSON & JON D. GROSSMAN., INTELLECTUAL PROPERTY LEGAL OPINIONS 8–13 (2006).

\textsuperscript{86} Id.


\textsuperscript{89} Id.
only if one adopts a trade name or a trademark or the use of a trademark results in consumer confusion as to the source, affiliation, sponsorship, or approval of goods or services.

The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") establishes an approach to the determination of trademark infringement. Article 16 of the TRIPS Agreement sets up the fundamental right conferred to trademark owners:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

This should mean that any unauthorized use of this exclusive right in connection with goods or services by a third party will constitute trademark infringement. However, the question arises whether trademark squatting is considered a type of trademark infringement.

Generally, trademark infringement can take place in several forms. Trademark infringement is not merely limited to the exact reproduction or counterfeiting of the trademarks of others; the damage caused by other types of infringement may be measured in terms of the confusion of consumers and also in terms of the weakening of consumer

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90 Id.
91 DANA SHILLING, ESSENTIALS OF TRADEMARKS AND UNFAIR COMPETITION 200 (2002).
93 Agreement on Trade-Related Aspects of Intellectual Property Rights art. 16, 1 Jan. 1995. W.T.O. Annex 1C. (1) The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.
(2) Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
(3) Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.
94 PHILLIPS, supra note 91, at 193.
confidence in a brand.\textsuperscript{95} In other words, trademark infringement does not only depend on the use of identical words, nor whether trademarks are so similar that a person looking at one would be deceived into the belief that it was the other.\textsuperscript{96} Trademark infringement is broadly examined through the several ways that infringers attempt to gain a benefit from trademark owners and mitigate any potential likelihood of confusion.\textsuperscript{97} One type of trademark infringement occurs when infringers register other people’s trademarks.\textsuperscript{98} An act of making an application to register other people’s trademarks will violate the exclusive rights of the original holder and will constitute trademark infringement, presumably on the basis that it is an act done in the course of trade.\textsuperscript{99} In addition, bad faith is an essential element in determining whether registering another person’s mark is trademark infringement. Filing the trademark application or registration in bad faith is also a common ground for trademark infringement.\textsuperscript{100} In many countries, the trademark protection and rights may not be granted if the registration is filed in bad faith.\textsuperscript{101}

Registering other people’s marks in other countries may not be considered trademark infringement simply because the acquisition of trademark ownership has been territorial. Real trademark owners cannot extend their trademark rights and protection to other countries in which they do not register their marks.\textsuperscript{102} However, as stated above, trademark squatting may be considered trademark infringement if real trademark owners can prove that a mark is registered in bad faith. Real trademark owners may have to establish a connection or minimum contact with the countries in which squatters register their marks.\textsuperscript{103} After establishing a

\begin{enumerate}
\item \textsuperscript{95} Id.
\item \textsuperscript{96} Conway-Jones, supra note 87, at 872.
\item \textsuperscript{97} PHILLIPS, supra note 91, at 193.
\item \textsuperscript{98} Id. at 202.
\item \textsuperscript{99} Id.
\item \textsuperscript{100} T SOUTSANIS, supra note 67, at 17.
\item \textsuperscript{101} 1997 évi XI. (Hungarian Act XI at. 3(1) on the Protection of Trademarks and Geographical Indicators).
\item A sign may not be granted trademark protection if:
\begin{enumerate}
\item it is contrary to public policy or to accepted principles of morality;
\item it is liable to deceive consumers as to nature, quality, geographical origin or other characteristics of the goods or services;
\item its registration was applied for in bad faith.
\end{enumerate}
\item \textsuperscript{102} Id. at 746 (showing a trademark is registered in each country and owner can obtain foreign trademark protection on a national-by-national basis.).
\item \textsuperscript{103} Legal Information Institute, Minimum Contacts, http://www.law.cornell.edu/wex/minimum_contacts (last visited Oct. 27, 2012) (A nonresident party’s connections with the forum state (i.e., the state where the lawsuit is brought) that are
connection or a minimum contact, real trademark owners must still rely on trademark laws in those countries, which will determine trademark infringement.

E. EXTRATERRITORIAL JURISDICTION IN TRADEMARK SQUATTING

Jurisdiction refers to the authority or power of a state’s courts to adjudicate cases. A court may not enter a binding judgment in resolution of a matter unless it has jurisdiction to adjudicate the dispute. Since the principle of territoriality limits and controls the exercise of judicial jurisdiction, a court can only exercise jurisdiction in trademark cases when at least part of the infringement occurs within its country. Trademark infringement outside the country may not be addressed in the jurisdiction. Nevertheless, jurisdiction can be exercised outside its territory in some circumstances, which is called “extraterritorial jurisdiction.” A court may adjudicate a trademark matter involving foreign conduct, where some or all of the conduct occurred abroad. The United States courts have also recognized that, in

sufficient for jurisdiction over that defendant to be proper. A legal requirement that for a lawsuit to go forward against a nonresident party of a state, the party must have some connections with that state. For example, advertising or having business offices within a state may provide minimum contacts between a company and the state, even if the company is based elsewhere.).

104 Graeme W. Austin, The Territoriality of United States Trademark Law 4 (Arizona Legal Studies, Working Paper, Paper No. 06-20, 2006), available at http://ssrn.com/abstract=896620 (last visited Oct. 27, 2012) (explaining the principle of territoriality implies that, in an infringement action involving allegations of trademark infringement in one or more foreign countries, the proprietor of trademarks will likely need to invoke the laws of any or all of individual countries in which trademark rights have been established.).

105 Weissberger, supra note 73, at 747.

106 A. Benjamin Spencer, Jurisdiction to Adjudicate: A Revised Analysis, 73 U. CHI. L. REV. 617 (2006) (showing jurisdiction in the legislature refers to the ability of the state to make and apply laws to subject matter. Jurisdiction in the executive refers to the state’s ability to give effects to its laws.).

107 Id.


109 Id. at 616.

110 Yelena Simonyuk, The Extraterritorial Reach of Trademarks on the Internet, 1 DUKE L. & TECH. REV. 1, 5 (2002)


112 Id.

some limited circumstances, the Lanham Act can apply to infringing activities in foreign territories. This means that the exterritorial jurisdiction or enforcement of the Lanham Act may apply to unlawful activities or trademark infringement outside the United States.

Furthermore, plaintiffs or real trademark owners prefer to establish extraterritorial jurisdiction under the Lanham Act, rather than bringing a matter in a foreign judicial system. This is because plaintiffs are usually unfamiliar with languages, customs, culture, trademark laws, and legal procedures in foreign countries. They also believe that the Lanham Act is more protective than the laws of other countries, and the United States courts are more appealing due to favorable procedural rules and standards. The question then arises how much the Lanham Act can extraterritorially apply to trademark infringement which takes place outside the United States. What is the legal standard for determining whether a plaintiff has established subject-matter jurisdiction under the Lanham Act against a foreign defendant whose alleged unlawful activities were conducted wholly outside the United States?

The language of the Lanham Act provides neither guidance as to the extent of trademark’s extraterritorial application nor indicates whether the Lanham Act was intended to have extraterritorial application at all. However, the Lanham Act’s broad jurisdictional grant rests in its stated intent “to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce.” The Act defines “commerce” as “all commerce which may lawfully be regulated by Congress” and holds liable “any person who shall . . . in commerce” infringe on the mark of another. Although there is nothing in the Constitution preventing Congress from passing laws that reach beyond the United States border, there exists a

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114 Austin, supra note 103, at 2.
117 Witherell, supra note 114, at 204; GARY B. BORN, INTERNATIONAL CIVIL LITIGATION IN UNITED STATES COURTS 4 (1996).
120 Witherell, supra note 114, at 204.
presumption that U.S. laws are meant to only have territorial application.\textsuperscript{121} In Steele v. Bulova Watch Co., Inc., the Supreme Court interpreted the jurisdictional language of the Lanham Act for purposes of extraterritorial application.\textsuperscript{122} The issue of that case was whether a plaintiff could establish subject-matter jurisdiction under trademark infringement claim against a United States citizen for activities conducted outside the country.\textsuperscript{123} The Court found that the broad jurisdictional language of the Lanham Act overcame the presumption against extraterritoriality.\textsuperscript{124} Congress intended for the statute to apply to activities conducted outside the United States when both parties to the action were American citizens.\textsuperscript{125} Since the Lanham Act’s plain language reached “all commerce which may lawfully be regulated by Congress,” the Court found that the Act showed Congressional intent to confer a “broad jurisdictional grant” to the federal courts.\textsuperscript{126} The Court thereby held the Lanham Act could be applied extraterritorially.\textsuperscript{127}

Although the Steele case clarified that trademark owners can sue in the United States in some circumstances, the United States Courts of Appeals have interpreted the Steele case in different ways.\textsuperscript{128} This has led to inconsistency in the tests used by different circuits for when extraterritorial jurisdiction is appropriate under the Lanham Act.\textsuperscript{129} However, the Courts of Appeals have subsequently interpreted Steele as granting subject-matter jurisdiction contingent upon three factors.\textsuperscript{130} The

\begin{itemize}
  \item \textsuperscript{121} Id.; William S. Dodge, Understanding the Presumption Against Extraterritoriality, 16 BERKELEY J. INT’L L. 85 (1998).
  \item \textsuperscript{122} Steele v. Bulova Watch Co., 344 U.S. 280 (1952) (explaining the plaintiff, Bulova Watch Co., filed a trademark infringement claim under the Lanham Act for watches sold in Mexico City. The defendant, Sidney Steele, a United States citizen residing in Texas, purchased the necessary parts from Switzerland and imported them into Mexico, whereupon he assembled the watches, stamped them with the “Bulova” mark, and sold them without Bulova’s consent. Steele never imported the watches into the United States; yet the watches sold in Mexico inevitably crossed the border and landed in repair shops in towns located immediately across the United States border.).
  \item \textsuperscript{123} Id. at 284–85.
  \item \textsuperscript{124} Id. at 285.
  \item \textsuperscript{125} Id.
  \item \textsuperscript{126} Id. at 287.
  \item \textsuperscript{127} Id.
  \item \textsuperscript{128} Feldon, supra note 117, at 659 (explaining that Steele established that the Lanham Act had extraterritorial scope, but that was all that it established with any clarity. The number of factors supporting a finding that extraterritorial jurisdiction applied and the Court’s use of multiple theories of prescriptive jurisdiction make Steele’s holding ambiguous.).
  \item \textsuperscript{129} Id.
  \item \textsuperscript{130} Witherell, supra note 114, at 206; Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956); Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 428 (9th Cir. 1977).
\end{itemize}
three factors are also the well-known test for subject-matter jurisdiction under the Lanham Act,\textsuperscript{131} which provides a key or framework for analyzing specific factual circumstances. First, the defendant’s conduct must have an effect on domestic commerce.\textsuperscript{132} Second, the defendant must be a citizen of the United States.\textsuperscript{133} Third, there must be no conflict with the trademark rights conferred by foreign law.\textsuperscript{134} Among the three factors, the Court of Appeals have differed on the proper weight and interpretation to give each factor when confronted with variations from the facts of \textit{Steele}.\textsuperscript{135} For example, the Second Circuit requires the plaintiff to establish all three elements.\textsuperscript{136} Failure to establish one prong of the test may prove fatal to a plaintiff’s Lanham Act claim, while failure to establish two of the three prongs will certainly call for dismissal.\textsuperscript{137} On the other hand, the Ninth Circuit requires the plaintiff to balance the three factors against each other.\textsuperscript{138} The absence of one of the elements will not by itself prove fatal to a plaintiff’s claim.\textsuperscript{139}

Although trademark squatting is a type of trademark infringement which is conducted outside the United States, trademark owners may not be able to sue squatters within the country. This is because the act of trademark squatting may not fall into the three factors to establish extraterritorial jurisdiction. In the single-prong test, the courts usually determined some effect on domestic commerce by analyzing whether the selling or buying of goods or services took place in the United States, whether the processing of infringing goods occurred within the country, or whether interests and links with the United States commerce is sufficiently strong in relation to other countries. Since trademark squatting is an act of registering a trademark in a particular country to receive payment from the real trademark owner, then it may not have some effect on United States commerce. In the two-prong test, a trademark squatter is usually a citizen in another country, registering a trademark within its trademark system. If the squatter is not a United States citizen, the second factor is not applied to the circumstance. In the

\textsuperscript{131} Calvin Klein Indus., Inc. v. BFK Hong Kong, Ltd., 714 F. Supp. 78, 80 (S.D.N.Y. 1989).
\textsuperscript{132} \textit{Vanity Fair Mills}, 234 F.2d at 642.
\textsuperscript{133} \textit{Id}.
\textsuperscript{134} \textit{Id}.
\textsuperscript{135} \textit{Wells Fargo}, 556 F.2d at 428; \textit{Vanity Fair Mills}, 234 F.2d at 643; McBee v. Delica Co., 417 F.3d 107, 121 (1st Cir. 2005).
\textsuperscript{136} \textit{Vanity Fair Mills}, 234 F.2d at 643.
\textsuperscript{137} \textit{Id}.
\textsuperscript{138} \textit{Wells Fargo}, 556 F.2d at 428–29
\textsuperscript{139} \textit{Id}.
three-prong test, courts have determined a conflict with foreign law by considering whether trademark rights are lawful under the trademark law of another country. If a defendant legally obtains a trademark in a foreign country, the courts will determine that there is a conflict with foreign law. With trademark squatting, a squatter usually obtains the trademark rights by filing an application to a trademark office in that country. Since the registration process is lawful under the trademark law of the foreign country, a squatter legally obtains the trademark rights, which establishes a conflict with foreign law. As a result, the plaintiff in the United States cannot apply the extraterritorial jurisdiction of the Lanham Act to the trademark squatting cases.

II. PROTECTING ORIGINAL MARKS FROM TRADEMARK SQUATTING THROUGH REGISTRATION

Registration is the important key to trademark rights. It is mandatory to obtain or establish rights in a mark. Unlike common law countries, civil law countries require trademark owners to establish the trademark rights through registration. Trademark registration secures marks against counterfeiters, including newly branded products or services. More importantly, registration can be used to prevent original marks from trademark squatting. However, the legal effects and consequences of trademark registration are only limited to the country of registration. Real trademark owners should register their marks in any other countries in which they offer their products or services or file a trademark application in countries they will use the marks for their products or services in the future.

A. CONVENTION PRIORITY

Although multi-country registration can prevent trademark squatting, real trademark owners should consider the priority of trademark rights in other countries. This is because the rights applied for

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140 Trademarks in General, supra note 76 (“In principle only a trademark registration will provide exclusive rights over the mark. Registration will provide legal certainty and will reinforce the position of the right holder, for example, in case of litigation. In some other countries, trademark owners may acquire rights over a mark that they have used, but not registered.”).

141 Id.

cannot be the same as, or similar to, rights already granted to another trademark owners. The date of filing the application and the right of priority will play an important role in determining the ranking of the registers or who owns the trademark rights.\textsuperscript{143} The right of priority offers great practical advantages to the applicant desiring protection in several countries which use the first-to-file system.\textsuperscript{144} More importantly, the right of priority can be used to prevent trademark squatters from acquiring trademark rights and protection in their countries.

According to the Paris Convention, any person who files a trademark application in a member country may claim priority of that filing date if an application is filed in any other member country within six months from the date the original application was filed.\textsuperscript{145} This means that if real trademark owners or trademark applicants filing their applications within six months apply for protection in other member countries, those applications will be regarded as if they were filed on the same day as the earliest applications.\textsuperscript{146} For instance, if a company filed a trademark application on January 1, 2012, in the United States Patent and Trademark Office (“USPTO”), it has until July 2, 2012, to file a trademark application in China to be entitled to a China priority filing date of January 1, 2012.\textsuperscript{147} China must treat the application as if it were filed on the same days as the original application. Any trademark applications filed in China after January 1, 2012, will be defeated by the company’s application.\textsuperscript{148}

A real trademark owner or a trademark applicant can claim a convention priority to obtain the trademark rights and prevail over trademark squatters when applying for protection in the first-to-file countries. The right of priority is based on the first application for the same trademark which must have been filed in a member country.\textsuperscript{149} It is then impossible to follow the first application by the second, possibly

\textsuperscript{143} TSOUTSANIS, supra note 65, at 16.
\textsuperscript{144} WORLD INTELL. PROP. ORG., supra note 43, at 243.
\textsuperscript{145} Article 4(A)(1), Paris Convention for the Protection of Industrial Property, 1883 (holding that any person who has duly filed an application for a patent, or for the registration of a utility model, or of an industrial design, or of a trademark, in one of the countries of the Union, or his successor in title, shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter fixed). Article (C)(1), Paris Convention for the Protection of Industrial Property, 1883 (holding that the periods of priority referred to above shall be twelve months for patents and utility models, and six months for industrial designs and trademarks).
\textsuperscript{146} WORLD INTELL. PROP. ORG., supra note 43, at 243.
\textsuperscript{147} Chow, supra note 36, at 93–94.
\textsuperscript{148} Id. at 94.
\textsuperscript{149} WORLD INTELL. PROP. ORG., supra note 43, at 244.
improved application, and then to use that second application as a basis of priority. The reason for this rule is because one cannot permit an endless chain of successive claims of priority for the same subject, as this could, in fact, considerably prolong the term of protection for that subject. Accordingly, a real trademark owner or a trademark applicant will be able to protect their marks in the first-to-file countries even if there are applications filed by squatters before the filing date of the real trademark owner’s application.

Real trademark owners do not have to present all applications at home and in foreign countries at the same time because they have six months at his disposal to decide in which countries to request protection. Real trademark owners can use this period of time to organize the steps to be taken to secure protection in various countries of the interest. Giant and famous brands may not apply the right of priority because they have already registered their marks for several years. On the other hand, small- and medium-sized businesses or start-up companies need to apply the right of priority to protect their marks in other countries. If an application is to be filed claiming the right of priority, the date, number, and country of the basic application from which convention priority is to be claimed must be supplied. A certified copy of the basic application for registration (with a translation into English) may be required in certain countries. Each country will also determine the latest date on which such declaration must be made.

B. INTERNATIONAL TRADEMARK REGISTRATION

The procedures for registering trademarks are basically governed by the rules and regulations of national and regional trademark offices, so trademark owners must comply with the filing procedures in each country. Trademark owners have to search national trademark office

150 Id.
151 Id.
152 Id.
153 Id.
155 Id.
156 Paris Convention, supra note 144, Article 4 (D)(1).
records to determine the existence of prior applications and registrations that might preclude their use and registration.\textsuperscript{158} However, trademark owners often find that filing trademark applications internationally is an expensive process.\textsuperscript{159} The process can be complicated for trademark owners.\textsuperscript{160} Trademark owners may also find difficulty in using a local agent and submitting an application in the local language.\textsuperscript{161} A trademark registration in one country does not cover other countries, so trademark owners have to submit an application in other countries again.

There is another effective means of simplifying the process of obtaining and maintaining trademark registration in other countries. By this means, real trademark owners who have the trademark rights in their own country can protect their rights abroad by obtaining international trademark protection through international trademark registration. Most importantly, international trademark registration can be used as an effective way to prevent trademark squatting. Several international agreements also coordinate the procedure of filing applications for international trademark registration.\textsuperscript{162} Among other agreements, the Madrid Agreement and Madrid Protocol are an important mechanism which provide an opportunity to file an application for an international registration covering multiple member countries.\textsuperscript{163} This mechanism is also called the “Madrid system,” which is operated by the WIPO.\textsuperscript{164} Under this system, trademark owners merely file one application in one language and pay one fee instead of filing separately in the trademark office of the various member countries in different languages and paying

\textsuperscript{158} INT’L TRADEMARK ASS’N, supra note 68.


\textsuperscript{160} Id.

\textsuperscript{161} LANNING G. BRYER ET AL., INTELLECTUAL PROPERTY OPERATIONS AND IMPLEMENTATION FOR THE 21\textsuperscript{ST} CENTURY CORPORATION, 71–72 (2011).

\textsuperscript{162} 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 of the member countries of the European Union. Filing with the African Intellectual Property Organization (OAPI) protects trademarks in all of the member countries in Africa. 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.).

\textsuperscript{163} Id. (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.).

\textsuperscript{164} Id.
a separate fee in each trademark office.165 Filing an international application under the Madrid system can save the applicant time and money compared to filing individual trademark applications in each country where trademark owners seek to register the mark.166

1. A General Rule

Under the Madrid system, an international registration only applies to the member countries of the Madrid Agreement and Madrid Protocol.167 A trademark is subject to an international application only if it has been registered in one of the trademark office of the member countries.168 Trademark owners can register their mark in any member countries by filing one international application directly with their country’s trademark office.169 A single international application of a trademark simplifies the process of prosecution and maintenance of the international trademark, as a single prosecuted and allowed mark can be registered as a trademark in each member country that the applicant wishes to register the mark in.170 If a member country is party to the Madrid Agreement, a country may only designate another member of the Agreement.171 If a member country is party to the Madrid Protocol, a country may only designate another member of the Protocol.172 An international application can also be filed in any one of three languages: English, French, or Spanish.173

The trademark office of a designated country considers the international registration in exactly the same way as an application filed directly.174 In other words, the trademark office of a member country examines a mark under its own trademark law. The international registration can be refused on any grounds which would apply if the

166 Id.
169 Id.
170 Id.
171 Id.
172 Id.
173 Id.
174 Id.
mark had been filed directly. The international registration is then equivalent to a bundle of national registrations. The protection of the mark in each of the designated country is the same as if the mark had been directly registered in the trademark office of that designed country. However, just because a mark in the international application has been registered in a country does not mean that the mark is protected in all the member countries. International protection for a mark may be refused in whole or in part by the trademark offices of designated countries. The international registration may also be limited or invalidated under the trademark laws of designated countries. In addition, trademark protection is only limited to the country that a holder has designated. For more protection, the holders of the international registration have to request an extension of protection in additional countries. Any action for infringement of the international registration must be brought separately in each of member countries. The international registration is also effective for ten years; it may be renewed for further periods of ten years.

2. International Registration in the United States

The United States joined the Madrid Protocol in 2002 and its membership went into effect in 2003. But the United States did not adopt the Madrid Agreement. When the United States became a Contracting Party of the Madrid Protocol, United States trademark owners with a mark registered in or an application pending with the USPTO could file not only a single application but also file one in a single language using a single currency. United States trademark

175 Id.
176 Id.
178 Id.
179 Id.
180 WORLD INTELLECTUAL PROP. ORG., supra note 167.
181 Id.
182 Id.
183 Id.
owners can apply for protection in all countries they designate that are signatories to the Madrid Protocol, subject to objection by a country within approximately eighteen months of application on the basis of examination.\textsuperscript{186} In order to apply for an international registration under the Madrid Protocol as a United States applicant, the applicant must: (1) be a national of the United States; (2) be domiciled in the United States; or (3) have a real and effective industrial or commercial establishment in the United States.\textsuperscript{187} An international application has to be filed through the USPTO. An international application must also be based on a pending application or registration for the same mark in the applicant’s country of origin.\textsuperscript{188} The minimum requirements for completion of an international registration originating from the United States are: (1) the filing date and serial number of the basic application, or the registration date and registration number of the basic registration; (2) the name of the applicant, which must be identical to the name of the applicant or registrant in the basic application or registration; (3) a reproduction of the mark; (4) a color claim, if appropriate; (5) a description of the mark that is the same as the description appearing in the basic application or registration; (6) an indication of the type of mark, if the mark is a three-dimensional mark, a sound mark, a collective mark or a certification mark; (7) a list of goods or services, which must be identical to or narrower than the goods or services listed in the basic application or registration; (8) a list of the designated Contracting Parties; (9) the certification fee; (10) a statement to certify that the applicant is a national of the United States, is domiciled in the United States, or has a real and effective industrial or commercial establishment in the United States; and (11) an email address.\textsuperscript{189} If each application meets those requirements, the USPTO will certify the application and transmit it to the International Bureau of the WIPO\textsuperscript{190} acting as a receiving office for the contracting states. The USPTO certification procedure ensures that the international application is properly based on the application or registration in the

\textsuperscript{186} Id. at 1–2.
\textsuperscript{187} Murphy, supra note 183, at 240; Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol), 15 U.S.C. § 1141a(b) (2004).
\textsuperscript{188} Murphy, supra note 183, at 241.
\textsuperscript{189} Id. at 14.
\textsuperscript{190} Id.
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United States.\textsuperscript{191} However, the United States trademark owners cannot file an international application directly at the International Bureau.\textsuperscript{192}

Once the International Bureau receives the application from the USPTO, it will determine whether the application meets the Madrid Protocol filing requirements.\textsuperscript{193} If the Madrid Protocol filing requirements have not been met, the International Bureau will send a notice to both the USPTO and the international applicant.\textsuperscript{194} If the requirements are met and the fees are paid, the International Bureau will register the mark and publish it in the WIPO Gazette of International Marks.\textsuperscript{195} The Bureau will send a certificate to the international applicant, called the “holder of the international registration.”\textsuperscript{196} The International Bureau will also notify each member country designated in the international registration of the request for an extension of protection to that country.\textsuperscript{197} Each country will examine the request for an extension of protection the same as it would a national application under its trademark laws.\textsuperscript{198} If the application meets the requirements for registration of that country, the member country will then grant protection of the mark in its country.\textsuperscript{199} In addition, there are strict time limits for refusing to grant an extension of protection (a maximum of eighteen months).\textsuperscript{200} If a member country does not notify the International Bureau of any refusal of an extension of protection within the time limits set forth in Article 5(2) of the Madrid Protocol, the holder of the international registration is automatically granted protection of its mark in that country.\textsuperscript{201}

Trademark rights and protection under the international registration of the Madrid system can prevent trademark squatters from registering another party’s brand name as their own in their countries. However, applying for the international registration does not ensure that a trademark is certainly protected from trademark squatting. If an application to register a trademark is granted on the basis of “first-come, first-served,” it does not necessarily mean that the applicant will be granted protection immediately after the registration. There can be delays in the registration process due to various reasons, such as examination of the application by the designated member countries.

\textsuperscript{192} Id.
\textsuperscript{193} Id.
\textsuperscript{194} Id.
\textsuperscript{195} Id.
\textsuperscript{196} Id.
\textsuperscript{197} Id.
\textsuperscript{198} Id.
\textsuperscript{199} Id.
\textsuperscript{200} Id.
\textsuperscript{201} Id.
first-served," it would be difficult for real trademark owners or companies to protect their own marks on the first-come, first-served registration. Squatters can obtain the trademark rights in their countries if they register marks before real trademark owners begin an international application. Nevertheless, one simple solution should be that real trademark owners begin the registration process as soon as they can in order to obtain the trademark rights and protection. Moreover, real trademark owners who file an international application may claim a priority filing date based on the United States basic application.

III. CANCELLATION AND OPPOSITION GROUNDS FOR TRADEMARK SQUATTING

Business entities and individuals have a legitimate interest in protecting their trademarks abroad. Cancellation and opposition can be used to help real trademark owners regain trademark rights from trademark squatters or to defend trademark squatting. The Paris Convention requires the cancellation of registration of a mark without an authorization. A trademark cancellation is a proceeding in which a party seeks to remove an existing registration of a mark from the

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202 TSOUTSANIS, supra note 65, at 13.
203 PRIDE & FERRELL, supra note 12, at 418
204 Slotkin, supra note 46, at 673 (A company must first decide in which countries to market its goods and then register its trademark in those countries before any pirates do so.).
205 Madrid FAQs, supra note 190, (A claim of priority in an international application may be based on a U.S. application in accordance with Article 4 of the Paris Convention even if the filing date of the basic application precedes the implementation date of the Madrid Protocol in the United States.)
207 Article 6septies Marks: Registration in the Name of the Agent or Representative of the Proprietor Without the Latter’s Authorization
(1) If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor’s authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for a demand its cancellation or, if the law of the country so allows, the assignment in his favor of the said registration, unless such agent or representative justifies his action.
(2) The proprietor of the mark shall, subject to the provisions of paragraph (1), above, be entitled to oppose the use of his mark by his agent or representative if he has not authorized such use.
(3) Domestic legislation may provide an equitable time limit within which the proprietor of a mark must exercise the rights provided for in this Article.
Some countries may refer to cancellation proceedings as invalidation, nullity, rectification, or revocation actions. Moreover, an opposition is a challenge or objection to the granting of a trademark registration at the trademark office level. The grounds for seeking trademark cancellation and opposition can be found in the trademark laws of each country. Even though each country can establish the grounds for trademark cancellation and opposition on its own, most jurisdictions provide similar grounds for trademark cancellation or opposition, including absolute and relative grounds. Real trademark owners can raise either grounds in a cancellation or opposition proceeding.

Under absolute grounds, real trademark owners can claim one or more of the following grounds: (1) descriptiveness or geographic descriptiveness; (2) generic or functionality; and (3) bad faith. Those absolute grounds correspond to the grounds of nonregistrability. Under relative grounds, real trademark owners can raise the following grounds: (1) likelihood of confusion or priority; (2) bad faith; (3) business name or trade name use; and (4) well-known mark. Those relative grounds correspond to the grounds upon which marks may be confused with each other or upon which a use of another’s trademark is adjudged to be detrimental to another’s earlier mark or to be taking unfair advantage of its reputation. In addition to absolute and relative grounds, some countries provide nonuse grounds to cancel a trademark registration. If nonuse grounds are raised, real trademark owners will claim that the

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209 Id.
211 Cancellation of a Registered Trademark, supra note 207.
212 TSOUTSANIS, supra note 65, at 24–25.
214 Id.
215 Id.
216 Id.
217 Id.
218 Id.
219 Id.
registrant is not using or has never used the registered trademark in connection with the goods set forth in its registration.\footnote{220}

With trademark cancellation or opposition, a mark registered by a squatter can be revoked or removed from a registration. The legal outcome of trademark cancellation or opposition is the loss of a registration and rights,\footnote{221} so squatters will not be able to obtain and hold trademark rights. Real trademark owners will have to check the laws and criteria for cancellation or opposition proceedings, which vary from jurisdiction to jurisdiction. The scope of required evidence also differs from country to country.\footnote{222} Mostly, cancellation or opposition is filed directly with the trademark office or registry that granted the registration.\footnote{223} Real trademark owners may have to find a local agent to submit a cancellation or opposition application in a particular country. More particularly, the relative grounds should be used to revoke or cancel trademarks registered by squatters. Nonuse grounds can also be used by real trademark owners to revoke or cancel trademark registrations.

A. WELL-KNOWN MARKS

1. Protection for Well-Known Marks

A well-known mark doctrine can be used to protect a mark from trademark pirates or trademark squatting\footnote{224} through cancellation or opposition proceedings. A well-known mark doctrine particularly protects marks which have become well known in a geographic area in association with certain goods or services.\footnote{225} With this special protection, trademark squatters cannot obtain or register well-known marks in their countries. Real trademark owners can revoke the registration of well-known marks at local trademark offices and domestic courts in each country.\footnote{226}
Although the principle of territoriality is long-standing and well-established doctrine in all countries, a well-known mark can serve as an exception to the principle of territoriality. A well-known mark is a trademark generally acknowledged to be a mark which has a high degree of recognition and reputation in the area of trade of the proprietors of such a mark. A well-known mark also receives broader and stronger protection than an ordinary mark. Well-known mark owners can then protect their marks from squatters in other countries without using them in commerce or registering them there. Since the main purpose of this stronger protection is to prevent companies from free-riding on the reputation of a well-known mark or causing damage to its reputation or goodwill, giant companies or multinational corporations have a better chance to gain protection abroad under the well-known mark doctrine. On the other hand, small- and medium-sized business or growing companies which are locally recognized may not obtain protection abroad.

2. How Is A Mark Shown to Be Well-Known?

Well-known mark protection is mainly established in the Paris Convention and the TRIPS Agreement. The Paris Convention and the TRIPS Agreement require member countries to protect well-known mark even if the mark is not registered or used in that country. According to Article 6bis to the Paris Convention, a member country is allowed to intervene in a registration proceeding, to request cancellation of a registration, or to object to the use of a mark under certain conditions:

228 MCCARTHY, supra note 52, at 29:64.
the mark is “a reproduction, an imitation, or a translation” of a well-known foreign mark, (2) the well-known mark and the mark being objected to are used for identical or similar goods, and (3) the domestic use is “liable to create confusion.”\textsuperscript{233} Even though the language of 6bis appears to mandate the protection of well-known marks,\textsuperscript{234} it does not define the term “well-known.” The Paris Convention merely characterizes a well-known mark as “a mark considered. . . to be well-known in a protecting country as being already the mark of a protected foreign national.”\textsuperscript{235} This should mean that well-known mark status is determined by each country on an individual basis.\textsuperscript{236} No more specific scope is provided, nor is the standard for how much local knowledge would be required for the mark to be “well-known” in a country where protection is sought.\textsuperscript{237}

The TRIPS Agreement expands protection for a well-known foreign mark beyond uses or registrations.\textsuperscript{238} The TRIPS Agreement mandates protection against unauthorized use or registration with goods or services dissimilar from those associated with the well-known mark, provided that the use would indicate a connection with the foreign owner and would likely damage the interests of that owner.\textsuperscript{239} Well-known mark owners can then prevent others from registering the mark and can cancel a registration for marks that are likely to be confused with the well-known mark. Like the Paris Convention, the TRIPS Agreement does not define the term “well-known.”\textsuperscript{240} The Agreement merely states that

\begin{quote}
(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.
\end{quote}

\textsuperscript{233} The full text of article 6bis is as follows:

\begin{quote}
(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

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(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.
\end{quote}

\textsuperscript{234} R\textsc{e}ich\textsuperscript{a}rd & S\textsuperscript{n}eed, supra note 62, at 87.

\textsuperscript{235} Lock\text-superscript{r}ridge, supra note 230, at 1358.

\textsuperscript{236} Id.

\textsuperscript{237} Id.

\textsuperscript{238} Id. at 1361

\textsuperscript{239} Id.

\textsuperscript{240} Id.
member countries “shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.”

Then, member countries have to determine the meaning of a “well-known” mark on their national basis. The lack of either a specific domestic or internationally adopted test has also had the result in some jurisdictions of apparently inconsistent results from case-by-case decisions, as well as inconsistent results from jurisdiction to jurisdiction for the same mark. This could make the well-known mark doctrine difficult to protect marks.

3. A Guideline for Proving Well-Known Marks

Without the specific tests, well-known marks are determined differently from jurisdiction to jurisdiction. Well-known marks in one country may not be found to be well known in another country. Big foreign companies may not gain protection if their marks are not considered well-known marks in that country. The task is, therefore, that real trademark owners have to prove whether their marks are well known, according to the different laws in different countries. In many cases, real trademark owners struggle to prove well-known marks in other countries because they could not find the relevant elements or factors. In addition, many countries, such as China, have struggled with finding a definitive and efficient way to define “well-known” so as to provide some measure of certainty for those entrusted with the task of determining whether certain marks are legally well-known. The question then arises how to determine whether the marks are well known or what factors should basically be used in determining whether the marks are well known.

The report of the WIPO entitled *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*
provides several factors to determine whether a mark is well-known. The Recommendation helps to address the gaps in the protection afforded well-known marks conferred under Article 6bis of the Paris Convention and Article 16(2) of the TRIPS Agreement. More particularly, Article 2 of the Recommendation states that the following information is relevant when determining whether a mark is well known: (1) the degree of knowledge or recognition of the mark in a relevant sector of the public; (2) the duration, extent, and geographical area of any use of the mark; (3) the duration, extent, and geographical area of any promotion of the mark, including advertising or publicity and the presentation at fairs or exhibitions of the goods and/or services to which the mark applies; (4) the duration and the geographical area of any registrations or any applications of the mark, to the extent that they reflect use of recognition of the mark; (5) the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; and (6) the value associated with the mark.

Although those factors in the Joint Recommendation are not binding, countries can rely on those factors in determining whether a foreign mark is well known in at least one relevant sector of the public in that country. For example, the 2001 Chinese Trademark Law ("CTL" or "2001 CTL") provides the following relevant factors to determine whether a mark is well known: (1) the reputation of the mark to the relevant public; (2) the time period for the owner’s continued use of the protection of well-known marks. It focused on the criteria for determining whether a mark is well-known. This resulted in a Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks ("Joint Recommendation"), adopted in September 1999 by consensus of the General Assembly of WIPO and the Assembly of the Paris Union.)

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247 Joint Recommendation on Well-Known Marks, supra note 244, art. 2(1)(b).
248 Id., art. 2(2)(b) ("Where a mark is determined to be well known in at least one relevant sector of the public in a Member State, the mark shall be considered by the Member State to be a well-known mark.") Under Article 2(2)(a), Relevant sectors of the public include: (i) actual and/or potential consumers of the type of goods and/or services to which the mark applies; (ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies; (iii) business circles dealing with the type of goods and/or services to which the mark applies.
mark; (3) the time period, extent, and geographical area of advertisement of the mark; (4) the records of protection of the mark as a well-known mark; and (5) any of other factors relevant to the mark’s reputation.250 Real trademark owners can then use those relevant factors to determine their marks when seeking protection abroad or preventing their marks from trademark squatting. However, the determination is based on a case-by-case basis. Evidence relevant to well-known marks may include sales and revenue figures, geographical scope of use, channels of trade, distinctiveness, registrations in home and other countries, consumer recognition, and the existence of similar marks owned by third parties.251 More specifically, evidence of global use of a foreign mark and global advertising should be an important element for proving consumer recognition.

B. BAD FAITH

A bad faith application or registration is a critical argument against a mark registered by a squatter.252 A bad faith application or registration does not acquire the trademark rights and can be declared invalid. It is also important grounds for trademark opposition or cancellation in a number of jurisdictions throughout the world.253 For example, the trademark law of the European Community, which is referred as the European Council Regulation (“EC”) No. 207/2009 of 26 February 2009 on the Community Trade Mark (“CTM”)254 establishes the concept of a bad faith application or registration. Article 52 (1)(b) of the

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250 Id., art.14 (However, it is not clear whether the 2001 Chinese Trademark Law is totally based on Article 2 of Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.)
251 Famous and Well-Known Marks, supra note 231.
252 The issue of bad faith registration is one of those areas where there is such a consensus and INTA has formulated a clear policy position. That position was recorded in a Board of Director’s resolution dated September 22, 2009 and titled “Bad Faith As a Ground for Opposition Proceedings” (the Bad Faith Resolution’). A full copy of the Bad Faith Resolution is included as Annex C. This states that: “the filing of a trademark application or procuring a registration in bad faith should be available ground for trademark owners to oppose or seek to cancel the trademark application or registration,” http://www.inta.org/Advocacy/Documents/INTARichemontRospatent.pdf (last visited Oct. 28, 2012)
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Regulation states that “[a] Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings: . . . (b) where the applicant was acting in bad faith when he filed the application for the trade mark.”

1. Defining “Bad Faith” in a Trademark Application or Registration

There is no exact definition of bad faith in trademark laws, especially in trademark application or registration. According to the *People’s Law Dictionary*, bad faith generally refers to an intentional dishonest act by not fulfilling legal or contractual obligations, misleading another, entering into an agreement without the intention or means to fulfill it, or violating basic standards of honesty in dealing with others. Article 10bis of the Paris Convention also implies the concept of bad faith through the definition of “unfair competition.” More specifically, Article 10bis (2) states that “any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.” “Any act of competition contrary to honest practices” may refer to a dishonest act or dishonest practice. Accordingly, bad faith applications or registrations may refer to an act violating norms of reasonable, honest, and fair commercial behavior, which are done by the third parties in order to obtain trademark rights. Bad faith application or registration may also include an act of filing an application with a

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255  CTMR Art. 52(1)(b).
257  Article 10bis of the Paris Convention for the Protection of Industrial Property provides as follows:

“Unfair Competition”
(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
(3) The following in particular shall be prohibited:
(i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
(ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
(iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.
258  Id.
259  *Bad Faith as a Ground for Opposition Proceedings*, supra note 252
view to preventing market access, demanding compensation for vacating the mark, or profiting from the reputation enjoyed by another’s trademark.  

2. A Guideline for Finding A Bad Faith Application or Registration

Bad faith is not self-evident as an independent ground for trademark opposition or cancellation. However, the Paris Convention does not establish any particular rules against trademark registration in bad faith. Countries have to establish relevant elements for trademark cancellation or opposition through their own laws. The determination of a bad-faith application or registration then varies from country to country. For instance, a finding of bad faith under a Community Trade Mark (“CTM”) should not be established lightly: there should be no doubt, based on the facts at hand, that there has indeed been bad faith on the part of the applicant of the CTM. There is bad faith when the CTM applicant intends through registration to lay claim to a trademark of a third party with which it had contractual or precontractual relations. In addition, countries do not typically define what a bad-faith application or registration means and what facts or circumstances could establish bad faith. Real trademark owners have to check trademark laws and figure out how to establish a bad faith application or registration in a particular country.

Recently, the International Trademark Association (“INTA”) has recommended the requirements for a finding of a bad faith application or registration: (1) the applicant or registrant knew of the third-party’s rights or legitimate interests in marks identical to or substantially identical to the mark applied for/registered, where such knowledge is actual or may be inferred from the surrounding circumstances; and (2) the applicant or registrant’s conduct in applying for registering the mark is inconsistent with the norms of reasonable, honest, and fair commercial behavior. INTA has also recommended the nonexhaustive list of factors be considered in determining whether the applicant’s or registrant’s conduct is inconsistent with norms of reasonable, honest, and fair commercial behavior: (1) whether the mark was applied for or

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261 TSOUTSANIS, supra note 65, at 41
262 Decision of the Cancellation Division of October 10, 2004 (CTM ER No. 2386126).
263 SEVILLE, supra note 259, at 270.
264 Bad Faith as a Ground for Opposition Proceedings, supra note 251
registered primarily to appropriate a trademark well known in other jurisdictions or to disrupt the business of a competitor; (2) whether the mark was applied for or registered primarily to sell, license, or otherwise transfer the registration to the party opposing or seeking to cancel or to a competitor of that party; (3) whether the mark was applied for or registered primarily to prevent the party opposing or seeking to cancel from acquiring trademark rights in the jurisdiction in which the application was filed; (4) whether the applicant or registrant has a legitimate interest in the mark applied for; (5) whether the applicant or registrant applied for or registered the mark with the intention of creating confusion as to the source, sponsorship, affiliation, or endorsement of the applicant’s or registrant’s goods or services; (6) whether the applicant or registrant knowingly made false statements in connection with the trademark application or registration; (7) whether the applicant or registrant has engaged in a pattern of applying for or registering marks in which it had no legitimate interest; and (8) the degree of distinctiveness of the mark applied for.265

Although INTA’s recommendations for finding a bad faith application or registration can be a good source of bad faith analysis, countries are not bound by INTA’s recommendations. The recommendations can merely be used as a basic guideline for real trademark owners to determine whether trademark squatters file an application or register marks in bad faith.266 The recommendations may

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265 Id.; Those factors are similar to the examples of circumstances that a domain name has registered and is being used in bad faith under the WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP). Paragraph 4(b) of the UDRP Policy sets out the following examples of circumstances that will be considered by an Administrative Panel to be evidence of the bad faith registration and use of a domain name:

(i) circumstances indicating that the domain name was registered or acquired primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of the domain name registrant’s out-of-pocket costs directly related to the domain name; or

(ii) the domain name was registered in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the domain name registrant has engaged in a pattern of such conduct; or

(iii) the domain name was registered primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, the domain name registrant intentionally attempted to attract for financial gain, Internet users to the registrant’s website or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of the registrant’s website or location or of a product or service on the registrant’s website or location.

266 Id.
also be used to prove or develop their own argument against a bad-faith application or registration in trademark offices and domestic courts. More importantly, the key requirement for finding bad faith is that the applicant or registrant must have had knowledge of the prior mark.\textsuperscript{267} If knowledge is found, the bad-faith analysis turns on whether the application was filed or the registration was obtained in violation of the norms of reasonable, honest, and fair commercial behavior.\textsuperscript{268} Additionally, bad faith entails proving someone’s mindset. Real trademark owners should have to take into account all the facts of the case, both from before and from after the trademark registration date. This includes all materials or evidence proving that trademark squatters act in bad faith. However, it is important to note that those circumstances or guidelines are nonexhaustive. Real trademark owners may still establish or include other circumstances which can properly demonstrate that the marks are registered in bad faith.

C. NON-USE GROUND

Non-use cancellation refers to an act of removing trademark registration or rights when the owner of the registration has not used the registered mark with the goods and services.\textsuperscript{269} Among other grounds, non-use can be effective grounds for revoking or canceling trademark registrations or trademark rights obtained by squatters. This is because squatters usually register other people’s marks to hold them and resell them to the real trademark owners later. Squatters do not intend to use their registered marks in their goods or services and probably have no bona fide interest in protecting them.\textsuperscript{270} As a result, trademark registration or trademark rights should not be available to squatters.

Almost all countries allow non-use cancellation to revoke trademark registrations or rights. Many countries usually allow challenging trademark registration on non-use ground where the registered mark has not been used for five years.\textsuperscript{271} Some countries

\begin{itemize}
\item \textsuperscript{267} Id.
\item \textsuperscript{268} Id.
\item \textsuperscript{269} Cancellation of a Registered Trademark, supra note 207.
\item \textsuperscript{270} Long, supra note 44, at 140
\item \textsuperscript{271} Those countries include Argentina, Austria, Bahrain, Belarus, Belgium, Bosnia and Herzegovina, Costa Rica, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, El Salvador, Estonia, the European Union, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kenya, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Morocco, the Netherlands, Poland,
provide for a shorter non-use grace period of three years. Real trademark owners should then check how long squatters registered their marks in order to revoke trademark registrations. Moreover, many countries require that a claimant proves lack of use of a trademark in a cancellation proceeding. Some countries require that a claimant proves a legitimate interest in the cancellation of a trademark. In this case, an “interested person” can challenge a non-use ground to revoke or cancel trademark registrations. The “interest” may be any activity linked to the products or services covered by the trademarks, or the claimant may suffer from the respective registration. Owning or using their trademarks in their particular countries should be sufficient to prove their interest, as squatters registering their marks may create suffering to real trademark owners. Evidence proving their interest can also include certificates of registration in their home country, sales and advertising figures, or past enforcement efforts. However, real trademark owners should be aware of the principle of territoriality. Domestic courts or trademark offices may not allow or recognize the use of trademarks in other countries. This means that the use of foreign marks in foreign countries may not create any rights or interest in that country.

IV. WIPO ARBITRATION

Trademark squatting is a dispute involving allegations of trademark infringement in another country. Real trademark owners will have to rely on the law of the foreign country in which their mark is registered by a trademark squatter. This is because the foreign country is responsible for the enforcement of trademark law within its own border and will apply its own trademark law to a trademark squatting dispute. Like other international commercial transactions, real trademark

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Portugal, Moldova, Romania, Senegal, Serbia, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Switzerland, Turkey, the United Kingdom and Uzbekistan.

Those countries include Canada, China, Colombia, Cuba, the Dominican Republic, Ecuador, Honduras, Indonesia, Israel, Japan, Kazakhstan, Kyrgyzstan, Mexico, Nicaragua, Oman, Peru, Korea, Russia, Taiwan, Trinidad & Tobago, Ukraine and the United States.


owners may not want to resolve trademark squatting disputes through litigation in foreign countries. Real trademark owners may be concerned about the other party’s home court advantage. They may not know or be familiar with the trademark laws and legal processes in other jurisdictions.278 It is difficult for the real owner to predict the outcome of the trademark squatting cases. Furthermore, the trademark squatting cases may be decided by judges who do not have knowledge or experience about intellectual property or trademark.279 The trademark squatting cases may also involve political issues, governmental policies, or regulations that tend to protect the local trademark rights.280 Meanwhile, many foreign countries still have lax trademark enforcement and corrupt legal systems, making it difficult to obtain a fair determination through litigation.281 Additionally, trademark litigation takes a long period of time and costs a great deal of money.282

Arbitration is an alternative to litigation whereby parties voluntarily submit their dispute to a tribunal of their own choosing to obtain a judicially enforceable decision.283 Most parties often include predispute arbitration clauses in their contracts because of its benefits.284

278 CLAUDIA ALFONS, RECOGNITION AND ENFORCEMENT OF ANNULLED FOREIGN ARBITRAL AWARDS: AN ANALYSIS OF THE LEGAL FRAMEWORK AND ITS INTERPRETATION IN CASE LAW AND LITERATURE, 15 (2010) (Today’s growing inter-connectedness of the global economy frequently involves business transactions with different legal cultures, which usually entail unfamiliarity and disproportions when at least one party is reliant on foreign legal and court systems).

279 Terry A. Bethel, Wrongful Discharge: Litigation or Arbitration?, 1993. J. Disp. Resol. 289, 300 (1993) (“Judges may have little personal experience in, or familiarity with, the industrial arena. However, judges are not expert in most of the areas in which they are called upon to decide cases. They know little about medicine, but they decide malpractice cases and other claims involving medical and scientific evidence. And most are not experts in economics, but they decide antitrust and other business disputes worth millions of dollars.”).

280 Donald Francis Donovan, Introducing Foreign Clients to U.S. Civil Litigation, in INT’L LITIG. STRATEGIES AND PRACTICE, 35 (Barton Legum ed., 2005) (“As a general matter, foreign litigants are able to participate in the U.S. court proceedings on equal footing with their domestic counterparts. However, the jury system does not raise the prospect that particular juries in particular communities may exhibit a bias against parties from outside the community, including foreign parties. This problem arises most directly in smaller communities in which one party may be a well-known employer. It is therefore prudent for a foreign litigant to take steps to avoid litigating disputes in a forum that may provide a clear hometown advantage to an opponent.”).

281 Slotkin, supra note 46, at 674; WILLIAM FOX, INTERNATIONAL COMMERCIAL AGREEMENTS: A PRIMER ON DRAFTING, NEGOTIATING, AND RESOLVING DISPUTES 274 (2009)

282 Anita Stork, the Use of Arbitration in Copyright Disputes: IBM v. Fujitsu, 3 HIGH TECH. L.J. 241, 243 (1988) (“Obtaining satisfaction of a foreign judgment can be incredibly expensive and time consuming because of the myriad of defenses against enforcement.”).

283 THOMAS H. OEHMKE, COMMERCIAL ARBITRATION § 1:05 (2002).

284 Christopher R. Drahozal & Quentin R. Wittrock, Is There A Flight From Arbitration, 37 HOFSTRA L. REV. 71, 77–78 (2008) (Those benefits may include: “(1) arbitration may resolve
More particularly, arbitration allows parties to decide the scope and content of the dispute, define its procedures, and choose the law and the location of the arbitration.\(^{285}\) The characteristics of arbitration then vary across industries and across firms, as well as within firms and even within contracts.\(^{286}\) Arbitration has also developed rapidly and has increasingly become an important approach to setting international commercial disputes\(^{287}\) because parties do not want to be subject to the jurisdiction of a foreign court system.\(^{288}\)

While arbitration has become well established in international commercial disputes, it has been used less frequently in intellectual property disputes.\(^{289}\) This may partly be due to deeply ingrained notions of national sovereignty and territoriality.\(^{290}\) The arbitration of intellectual property disputes is a new area in alternative dispute resolution.\(^{291}\) However, arbitration is increasingly being used to resolve disputes involving intellectual property rights, especially when involving parties from different jurisdictions.\(^{292}\) Intellectual property disputes have a number of particular characteristics that are not always well served by national court systems, but which can be addressed by arbitration.\(^{293}\)

WIPO has established dispute resolution services through the WIPO Arbitration and Mediation Center since 1994.\(^{294}\) The main

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\(^{286}\) Drahozal & Wittrock, *supra* note 283, at 77.


\(^{290}\) *Id*.


\(^{294}\) *Id*. at 1.
function of the WIPO Arbitration and Mediation Center is to facilitate the resolution of intellectual property and related disputes through private procedures as an alternative to court litigation.\textsuperscript{295} The WIPO Arbitration and Mediation Center provides a mechanism comprised of two sets of rules: the arbitration rules and the expedited arbitration rules.\textsuperscript{296} The WIPO Arbitration and Mediation Center specializes in technology, entertainment, and intellectual property disputes.\textsuperscript{297} The Center provides services to meet the need for quick and inexpensive ways of settling commercial disputes.\textsuperscript{298} When administering arbitration cases, WIPO arbitration is guided by the following priorities: flexible procedural framework, active case management, efficiency, expertise, and integrity. In addition, the Center maintains an updated directory of arbitrators who are experts in intellectual property law, as well as having an understanding of technology.\textsuperscript{299} As a result, real trademark owners may want to use WIPO arbitration to resolve trademark squatting disputes, rather than domestic litigation.

**CONCLUSION**

Trademark squatting is becoming a large problem in the global business. It occurs when foreigners register other people’s marks in their home country to gain benefit or receive payment from the real owners. Mostly, trademark squatting occurs in civil law countries that rely on the fist-to-file system. Many brand owners around the world have confronted this problem in those countries. Unfortunately, many firms ended up making high payments to squatters. One common way to avoid

\textsuperscript{295} Id. at 2, 4.


\textsuperscript{297} Guide to WIPO Arbitration, supra note 288 (The WIPO Arbitration and Mediation Center has administered several cases where specific performance was sought as a remedy. These cases form part of the Center’s total caseload, which thus for encompasses over 240 mediations and arbitrations. The subject matter of those proceedings includes patent infringement, patent licenses, Information Technology related agreements and telecommunication agreements, distribution agreements and telecommunication agreements, distribution agreements for pharmaceutical products, research and development agreements, trademark co-existence agreements, consultancy agreement, art marketing agreements and joint venture agreements).


\textsuperscript{299} Adano, supra note 291, at 12.
Trademark squatting is for real trademark owners to register their marks in any country in which they will use the mark in the future. Real trademark owners may be able to claim a convention priority under the Paris Convention to obtain the trademark rights and prevail over trademark squatters when applying trademark protection in other countries. However, filing trademark applications in foreign countries is not easy. Real trademark owners may want to file an international application under the Madrid System in order to prevent trademark squatting.

Cancellation and opposition can be used to help real trademark owners regain trademark rights from trademark squatters. Real trademark owners may use well-known marks, bad faith, and non-use grounds to cancel the marks registered by squatters. Real trademark owners can also revoke the registered marks through cancellation or opposition proceedings at the local trademark offices and domestic courts in each country. In some circumstances, real trademark owners may not be comfortable resolving trademark squatting disputes through litigation in other countries. Real trademark owners should consider the WIPO Arbitration and Mediation Center, which effectively resolves intellectual property disputes. Trademark squatting disputes can most be fairly and efficiently resolved by WIPO arbitration.