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TO OUR CLIENTS:

PROTECT YOUR PRODUCT SUPPLY AND CUSTOMERS ABROAD: AVOIDING OVERSEAS TRADEMARK THEFT AND INFRINGEMENT

Avoid learning that your foreign supplier has prevented the import and export of your goods by registering your trademark in its name.

Many companies manufacture products in countries where they do not offer these same products for sale. These companies typically apply for trademark protection in the United States, Canada and sometimes Europe, generally places where they sell their products. Unfortunately, they neglect to protect their trademarks in the countries where they manufacture their products, which may include China, Vietnam, India, Indonesia, Brazil and others. Some companies have a mistaken belief that a trademark registration in the United States, Canada or Europe is sufficient protection in the event of infringement of their trademark elsewhere in the world. However, this is not the case.

In most non-English speaking countries, trademark rights are awarded to the first to file for trademark protection, whether or not they are the legitimate trademark owner. Once the legitimate trademark owner discovers its mark is in the process of being registered by another person or the mark has already been registered by another, the legitimate owner's ability to regain control of its trademark becomes time consuming, expensive, and without guarantee of success.

What often happens in China, is that a company contracts with a Chinese manufacturer for the manufacture of its trademarked products, but fails to register its trademarks in China. Some unscrupulous Chinese manufacturers notice the lack of trademark protection and then proceed to register these trademarks in China under its name. By the time the legitimate owner finally learns of the Chinese registration of its trademarks by the manufacturer, it is already at a disadvantage, and must now prove that the registration was made in bad faith. With a registration in hand, the Chinese manufacturer may now prevent the import and export of the trademarked goods in China.

Even if the legitimate trademark owner now wishes to change its manufacturer, the owner can be prevented from selling its own products bearing its trademark and must now either:

1. Retain the original manufacturer.
2. File an opposition or cancellation proceeding.
3. Change its trademark for that country.

These problems are not limited to China. A similar scenario may arise in South America, in which a 'trademark squatter' registers a trademark and offers to sell it back to the legitimate trademark owner at a profit. The squatter knows that the cost of buying back the trademark registration is less expensive than the trademark owner's costs in pursuing an opposition or cancellation of the trademark registration in that country.

A variation on this scheme arises with domain names, under the guise of a broker who sends its victim an email, purporting to 'halt' the registration of an allegedly infringing domain name. Once the legitimate trademark holder shows interest, the broker quickly registers the domain name for the purpose of selling it back to the legitimate rights holder at a significant profit.

CONCLUSION: In terms of priority of where a legitimate trademark owner should seek registration, we believe that the order of importance is as follows:

1. Countries in which products are being sold and/or services are being offered, or marketed.
2. Countries in which products are manufactured and/or distributed.
3. Countries in which infringement is likely to occur (i.e. countries in Asia, Latin America).
4. Countries in which selling, distributing, manufacturing or offering services is anticipated in the next few years, since a trademark may take several years to register.

The investment of protecting trademarks in countries where you are manufacturing or distributing products and/or offering services should be viewed as insurance. While the initial trademark application costs may be high, the cost of remedying an infringement that could stop the import or export of your goods will be many times higher. Please contact us if you require more information or seek to plan an efficient and cost effective program.

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