

## AN ANALYSIS OF TRADEMARK TROLLS

**SRITAMA BAGCHI**

2LLM-IPL, CHRIST ( DEEMED TO BE UNIVERSITY), BANGALORE.

Received: January 25, 2019

Accepted: March 07, 2019

**ABSTRACT:** *This article studies the emergence of a concept known as “Trademark Trolls” which has been identified a few years ago and has been recognized as a harmful concept on the consumer market. This article will further clarify the concept of trademark trolls and its effects on different countries where it has already percolated and has begun affecting the original trademark holders. This article also addresses the issue that India is at a stage with China with regarding the trademark laws and no sooner will such trolls enter the market due to the registration process under the Indian legislation. Lastly, this article identifies some of measures that can be resorted to in order to escape this kind of notorious acts that may enter the Indian markets.*

**Key Words:** *Trademark, Trademark trolls, Registration of trademarks*

### 1.INTRODUCTION –

The concept of trademark has not been a recent development but has been seen from a time when the trading had just about begun. It existed in the ancient system of world without the advent of technology. Initially Indian craftsmen earlier had just about begun exporting to different countries and in order to create a certain sense of identification, marks were carved on the artistic creations. That helped in identifying the manufacturer with their products by associating the signature engraved on it. The earliest marks were that of marking of animals, so a farmer, rancher or lord could distinguish what animals belonged to whom. As commerce developed, marks began to serve several purposes. ‘Potters mark’ of Greek and Roman times appeared on vessels to indicate the origin, destination along with the identification of the maker. The ancient Egyptian Artefacts embraced various symbols carved on structures based on religious and superstitious reasoning. The usage of stamps on bricks by the Roman brick maker for the purpose of identification began as early as the 2nd Century BC. One of the finest examples of both ancient and modern trademark use was the Barber’s pole which was used to indicate the location of business. In medieval England, sword manufacturers were required to use identification marks so that the defective weapons could be traced back to the producer for a possible punishment.

Eventually, use of marks became a ground to prove ownership of goods. As merchandising and trade picked up significantly during the 10th Century, ‘merchants mark’ also referred to as ‘proprietary mark’ was used to prove ownership rights of goods.

As 14th and 15th centuries observed dramatic emergence of merchant and craft guilds, trademark- like symbols and logos began to appear as identification of goods and services. Gradually as Industrial Revolution sparked, guild system disintegrated into free business and thus establishing civil protection against those who replicated the mark of another.

#### 1.1 EVOLUTION:

The dictum ‘nobody has any right to represent his goods as the goods of somebody else’ and ‘nobody has the right to pass off his goods as the goods of somebody else’ was established in the case, *Southern v How*, 1617, where a clothier who had gained great reputation by putting his marks on clothes made by him was used by another to deceive and make profits. The Courts thereafter followed these principles as the law. They recognized such disputes and gave remedies as ‘passing off’.

Before the enactment of a statutory law, trademarks prevailed as common law marks. The need for a law on registration of trademark and protection against infringement was recognized giving scope for the very first statutory enactment in Britain in the year 1875.<sup>1</sup>

The British Trademark act of 1875 provided for a formal registration of trademark based on the fulfillment of criterion whether the Trademark distinguished the goods of the trader or not. Thus, Registration was considered prima facie evidence of ownership of a Trademark. Eventually, the Trademark act, 1875 was

<sup>1</sup>[http://shodhganga.inflibnet.ac.in/bitstream/10603/161458/7/07\\_chapter%202.pdf](http://shodhganga.inflibnet.ac.in/bitstream/10603/161458/7/07_chapter%202.pdf)

repealed and substituted by the Patents, Designs and Trademark Act, 1883 which included the facility to register 'fancy words not in common use' and 'brands' as new marks for the first time. This Act was further substituted by the Trademark Act, 1905. India borrowed the British Trademark Act, 1938 and prepared the first Act on the subject as Trademark Act of 1940. Independent India moulded the Trade & Merchandise Mark Act, 1958. The Act is now operative as Trademark Act, 1999 which came into force with effect from 30th day of December 1999<sup>2</sup>

## **1.2 OBJECTIVES**

Industrialization and globalization were the main reason why the concept of trademark had a major role to play. The idea behind allowing the proprietor to attach a sense of ownership with the goods was the main function and to make the consumers aware and create awareness and association with the brand name that the proprietor owns with the goods. Trademark had mainly two objectives which is that it protects the public from confusion and deception by identifying the source or origin of products as distinguished from other similar products, also to prevent the consumers from purchasing inferior quality goods. It protects the trade mark owner's trade and business as well as the goodwill which is attached to his trade mark.

## **2.CONCEPT OF TRADEMARK TROLLS**

Today's youth engaged in extensive use of technology have often come across the term "troll" which is often loosely used without probing much deeper into the meaning of it. The concept of 'troll' basically points at someone or some entity that is engaged in some activity of money extraction where no amount of intellectual or manual investment is made in any way so extracting money for the same reason cannot be substantiated under intellectual property law. The idea of owning the investment and getting protection for the same is the main reason behind why such exclusive rights are given to the creators or in case of trademark, the trademark holders. This concept is very similar to that of trademark squatting where any squatters register domain names of companies in countries where such parent company has no registration and gains money out of the original owner which is similarly so, but in a more physical context.

The trademark trolls register a certain name as a trademark complying with the regulations of trademark registration without having the slightest intention to use such a mark of another original owner. Often known as "trademark bullies" where intellectual property gains are commercially exploited for unscrupulous financial gain. The main intention is to extract monetary benefits through licenses procured by them or threatening litigation or by gaining compensation through the filed suit. The concept of trademark trolls is not very old and has just about entered the market area and has stepped right after Patent trolling that subsisted.

### **2.1 KINDS OF TRADEMARK TROLLS-**

Trademark owners have deduced two main kinds of trolling that can be identified and have recognized it to be emerging in different countries due to their respective registration process. These kinds give a peek into how a troll can take advantage of the registration process structured in the countries.

#### **• OPPORTUNISTIC TRADEMARK -**

Mainly Opportunistic trademarks<sup>3</sup> are the kinds of trolls that uses an opportunity to file a trademark without the intention of using such a trademark in real practice but later search for "infringers" who might have used such a trademark without being aware of the already existing registered trademark. The troll may generally resort to financial gain or commercially exploit the original trademark holder by selling the mark or licensing the mark. They do not use or intent to use registers TMs operating in other country before being introduced in the home country to, threat and source out money by alleging infringement more common in 'first to file' countries where usage of marks is not required to register a trademark.

For example, as broadly revealed by IP and prevailing press, French winemaker Castel Frères SAS experienced trademark trolling when a Chinese court requested it to stop all offers of its CASTEL image wines in China and pay over USD 5 million to Li Dao Zhi (Li), a Shanghai organization that had enrolled the name Ka Si Te, the known transliteration of "Castel." (2012) No. 166 ZheZhi Zhong (2012). While Castel apparently entered the Chinese market in 1998, and started selling wine under the name Zhang Yu Ka Si Te in 2001, it didn't make a difference to enroll its CASTEL mark until 2002. In 2005, it ended up mindful that Li had enlisted the KA SI TE mark in 2000. Castel documented a demand to drop Li's enlistment dependent on non-use, however amid the pendency of the wiping out activity, Li started utilization of the KA SE TI trademark, and Li sued Castel for encroachment. The court at last administered to support Li, and Castel ended up in the unenviable position of being named an infringer of an imprint it had grown over quite a few

<sup>2</sup><https://www.bananaip.com/ip-news-center/history-and-evolution-of-trademark>

<sup>3</sup><https://www.lexology.com/library/detail.aspx?g=d8c3ec80-01c3-417f-874c-3a8fee70cb62>

years earlier.<sup>12</sup> Subsequently, in any case, Castel advanced the case the whole distance to the Chinese Supreme Court, and not long ago it was accounted for that the Supreme Court had suspended the fine and would retry the case.<sup>13</sup>

Another acclaimed case included the Tesla Motors group of TESLA imprints and logos. In 2009, Zhan Baosheng<sup>4</sup>, a representative situated in Guangzhou and author of a beauty care products site, enlisted the TESLA trademark over a scope of classes, including vehicles. Tesla Motors made different ideas to buy the imprints, yet Mr. Zhan rejected the offers and at last requested a cost of USD 32 million, which Tesla rejected. The carmaker sued Mr. Zhan for harms and retraction of the imprints and was at first fruitful, however Mr. Zhan advanced and sued Tesla for trademark encroachment, requesting USD 3.9 million in harms and looking for a request that the organization stop all advertising and shut down all showrooms showing vehicles with the TESLA marks. In August 2014, the gatherings went into a settlement whereby it was chosen that Zhan would surrender his trademark rights while Tesla would drop its remuneration requests consequently. Tesla likewise consented to purchase space names including tesla.cn and, a representative situated in Guangzhou and originator of a beautifiers site, enrolled the TESLA trademark over a scope of classes, including vehicles. Tesla Motors made different ideas to buy the imprints, yet Mr. Zhan rejected the offers and at last requested a cost of USD 32 million, which Tesla rejected. The carmaker sued Mr. Zhan for harms and wiping out of the imprints and was at first fruitful, however Mr. Zhan bid and sued Tesla for trademark encroachment, requesting USD 3.9 million in harms and looking for a request that the organization stop all showcasing and shut down all showrooms showing autos with the TESLA marks. In August 2014, the gatherings went into a settlement whereby it was chosen that Zhan would surrender his trademark rights while Tesla would drop its pay requests consequently. Tesla likewise consented to purchase space names including tesla.cn and teslamotors.cn from Mr. Zhan for an undisclosed buy price<sup>5</sup>

### **2.1.2 Registration procedure of China-**

Article 29 of Trademark law of People's republic of China, 1993 - Where two or more applicants apply for the registration of identical or similar trademarks for the same or similar goods, the preliminary approval, after examination, and the publication shall be made for the trademark which was first filed. Where applications are filed on the same day, the preliminary approval, after examination, and the publication shall be made for the trademark which was the earliest used, and the applications of the others shall be refused and their trademarks shall not be published.<sup>6</sup>

### **2.1.3 STAND OF INDIA -**

Trademark act of India under s.46 clearly states, “ Proposed use of trade mark by company to be formed, etc.—

(1) No application for the registration of a trade mark in respect of any goods or services shall be refused nor shall permission for such registration be withheld, on the ground only that it appears that the applicant does not use or propose to use the trade mark if the Registrar is satisfied that—

(a) a company is about to be formed and registered under the Companies Act, 1956 (1 of 1956) and that the applicant intends to assign the trade mark to that company with a view to the use thereof in relation to those goods or services by the company, or

(b) the proprietor intends it to be used by a person, as a registered user after the registration of the trade mark.”

This clearly establishes a ground for India where a place has been reserved for trademark trolls to enter the market and function as a legitimate trademark holder if the basic proof of an intent can be published. Such an intent may not always be an honest intent but only to reserve a place already in order to attack an honest trademark holder to enter the market as the troll would already have secured a place for itself in the market obstructing a genuine player. This is different from first user of a trademark and can very well be used at an advantage of the trolls which puts the original hard work into great distress and ultimately falsely accuses the original trademark holder in “first to file” countries like China . Hence India has the probability to meet the same fate as China and such can cause great chaos in the trademark business.

<sup>4</sup><https://money.cnn.com/2014/07/08/news/companies/tesla-china-trademark/> , July 8 2014

<sup>5</sup>2014) No. 09258 San Zhong Min (Zhi) Chu Zi (2014).

<sup>6</sup>[http://english.gov.cn/archive/laws\\_regulations/2014/08/23/content\\_281474983043626.html](http://english.gov.cn/archive/laws_regulations/2014/08/23/content_281474983043626.html)

### • **SUSPECT TRADEMARKS**

These persons or entities are the ones who claim, without solid reasons, to have used a specific mark, and threaten or bring infringement actions or opposition against any company or individual using and/or registering that mark is more typical of those legal systems based on common law, and/or where trademark rights are primarily based on usage and not registration.

For instance, the most infamous trademark troll is probably US based self-acclaimed entrepreneur, Leo Stoller. He controversially claimed rights to a large inventory of "famous" trademarks and engaged in the assertive enforcement of those alleged trademark rights, threatening infringement action against people and companies who attempt to use similar marks.

One of the primary marks with respect to which Mr. Stoller attempted to enforce his alleged rights was the mark STEALTH. In the Northern District of Illinois alone, Mr. Stoller was involved in at least 47 cases involving trademark infringement. In case after case, Mr. Stoller was unable to demonstrate legitimate trademark use or infringement, and the Northern District of Illinois not only ordered him / his corporate entities to pay costs and the defendants' legal fees in several cases but enjoined him from filing any new civil actions in that court without first obtaining the court's permission. Moreover, in *Central Manufacturing, Inc. v. Brett*<sup>7</sup>, the Seventh Circuit affirmed the decision of the Northern District of Illinois that ordered both payment of the defendant's legal fees as well as the cancellation of of Mr. Stoller's trademark registrations.

#### **2.2.1 Registration procedure of USA**

Application for registration<sup>8</sup>; verification (a)(1) The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director, and such number of specimens or facsimiles of the mark as used as may be required by the Director. (2) The application shall include specification of the applicant's domicile and citizenship, the date of the applicant's first use of the mark, the date of the applicant's first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.<sup>9</sup>

#### **2.2.2 TRADEMARK TROLLS IN USA –**

The troll is basically a beast who lives under a scaffold and concentrates an expense from any individual who endeavors to cross the extension. Imperatively, the troll did not assemble the scaffold—or put its work in building the extension. So also, a patent troll is regularly an element that did not build up a licensed innovation but rather is viewed as the proprietor of that patent with remaining to authorize it. The trademark menace commonly utilizes its imprint in business. Undoubtedly, the trademark proprietor must utilize the imprint so as to hold legitimate rights related with the imprint. Along these lines, one of the ostensibly characterizing qualities of a troll is absent—the trademark proprietor or menace is rehearsing the licensed innovation. For example, the USPTO examined this issue as a problem. The study stated:

“Most of the direct respondents claimed at least some degree of first-hand knowledge of instances where unduly aggressive trademark litigation or pre-litigation tactics (e.g., cease-and-desist letters) were targeted at a small business, When asked if they currently encounter the problem of other trademark owners using their trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow (e.g., is “trademark bullying a problem”), few commenters explicitly addressed whether and to what extent this issue is a significant problem.”<sup>10</sup>

The USPTO went on to state that “some commenters explained that trademark owners have an obligation to police their marks, and the cease-and-desist letter is a necessary, cost-effective part of the process.” The USPTO further noted that “[a] handful of small business owners explained that they withdrew their trademark applications after receiving a cease-and-desist letter.”

### **3. CONCLUSION AND SUGGESTIONS**

The concept of trademark trolling existed and has the ability to survive only because the small scale business are mostly unaware of the situations that may later arise due to the functioning of these trolls. It's mostly easier to target the small scale businesses as their funds are smaller and cannot back them up in need of such an emergency. If such a contingency arises where a genuine trademark holder stumps on an already existing trademark that initially would have been the original attempt of the owner, in that case they might face numerous infringement suits or be unable to register their marks. In both the case, the genuine

<sup>7</sup>, 492 F.3d 876 (7th Cir. 2007

<sup>8</sup> § 1 (15 U.S.C. § 1051).

<sup>9</sup> [https://www.uspto.gov/sites/default/files/trademarks/law/Trademark\\_Statutes.pdf](https://www.uspto.gov/sites/default/files/trademarks/law/Trademark_Statutes.pdf)

<sup>10</sup> Ibid 7

owner suffers a loss and also get entangled in these suits before even commencing their businesses. In lieu of their opening business, mostly such a situation would be avoided by the genuine trademark holder as it involves infringement suits, unnecessary expenditure and undue delay. Thus, the trolls gain immensely at the cost of such situation.

Trademark trolls are extremely dangerous and ruins the spirit of trademark law in general. The idea behind recognizing such notorious activity is to be aware of such a predicament that may arise. Such entrants are at an advantaged position due to the structure of the law which can be manipulated and utilized against the honest owner. The registration process stands weak in front of such trolls and must be taken into account.

As an issue of first significance, one should record trademark applications as in front of timetable as could sensibly be normal, not simply in the countries in which one at present cooperates or makes or sources things, yet in all countries in which advancement is likely later on and reporting transliterations of one's engravings in the area language including logos. Setting up watch organizations or lead trademark request to perceive potential trolls at a starting time is important. Invigorating the request irregularly and checking neighbourhood media for references to the engraving will help trademark owners remain fully informed regarding close-by enhancements. Checking the use of its own trademark in "troll neighborly countries" (for instance record and extra sales, business reports, correspondence with wholesalers, etc.) and reliably show authentically the engraving as selected on things and business papers. This would build up extraordinary establishment confirmation on prior genuine use if there ought to be an event of unanticipated/undesired indictment.

Document trademarks early, and in a perfect world before dispatch. Trademark applications cost commonly little to archive, so they may be seen as a sort of insurance. Owner must be proactive in enrolling marks in beneficial markets. In the age of the overall business focus, the net is broader than you may might speculate. Similarly, as thinking about where you may develop your business, consider enrolling the engraving in the areas where your stock are sold and manufactured, where imaginative work workplaces are found, or where distorting is presumably going to be an issue. In the occasion that holds license, enrolling transliterations in locales, for instance, China and Russia might be useful;

Good position of the Paris Convention must be taken. Right when a trademark application is appealed to unexpectedly, it will in general be used as a purpose behind chronicle further applications in various areas. In case those further applications are archived inside a half year of the principal recording date, the trademark rights can suitably be back-dated to the date of the main application. This is valuable where a troll has reported an application in another space inside a half year of the main account date, as they may more likely than not pre-date it;

Make without question that you have solid trading associates abroad. It isn't astonishing to find that a producer, distributor or licensee has selected the engraving and It must be made sure to record any tip top licenses that may have been engineered. It is far easier to rely upon enrolled than unregistered rights, yet standard law rights remain stunning, so track your trademark use should you need to show how you got the engraving. This may consolidate the dates that any space names and online life accounts were enrolled. Assurance any copyright in logos has been doled out to you, with the objective that your ducks are largely together should you need to make a move;

Trademark portfolio must be audited regularly. A study should consolidate the summary of items and adventures verified by your trademarks, to watch that affirmation is so far sufficient, similarly as the areas where the engravings are enrolled. In case you have rebranded starting late, watch that you have satisfactory security set up;

Screen the trademark register to get early advised of conflicting applications. It's ordinarily less requesting to confine a trademark application than apply to drop a present enlistment. Trademark watching organizations are useful in such way; and holding on all messages and exchanges with trolls in case its needed to show that an application has been reported in deceitfulness.