

Study Guidelines

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2017 – Study Question

Bad faith trademarks

Introduction

- 1) This Study Question concerns bad faith in relation to trademarks.
- 2) Bad faith most commonly arises in the context that a trademark is used in one or more jurisdictions, but is not registered in other jurisdictions, and someone other than the trademark owner applies for an identical or confusingly similar trademark in a jurisdiction where the trademark is not registered. This might be done to prevent the trademark owner from entering the market, with the intention of selling the trademark application to the trademark owner when the owner attempts to enter that market, or simply wishing to profit from the trademark owner's reputation. Such applications may be rejected as "bad faith" applications.
- 3) The refiling of a very similar or identical trademark by a trademark owner, or the filing of a so-called "defensive trademark", can arguably also amount to bad faith (in the sense that such marks are not used, or not genuinely used, but nonetheless obstruct the use and/or registration of a third party trademark).
- 4) "Bad faith" may also arise in other situations, e.g. if an applicant has no intention to use the mark applied for, or not for all goods/services at issue; or if an application is contrary to contractual obligations.
- 5) The common denominator seems to be that bad faith involves some kind of dishonest, abusive or unseemly behaviour by a trademark applicant.¹ In some

¹ See e.g. J. Mellor et al., *Kerly's law of trademarks and trade names* (London 2011) (**Kerly**), p. 258-267; M. Davison and I. Horak, *Shanahan's Australian law of trade marks and passing off* (2016) (**Shanahan**), p. 459-461; P. Ströbele et al., *Markengesetz. Kommentar* (Cologne 2015), p. 680; T. Cohen Jehoram et al., *Industriële eigendom. Deel 2. Merkenrecht* (Deventer 2008), p. 239.

jurisdictions, the term "fraud" may also be used to denote such behaviour. References to **bad faith** in these Study Guidelines should be read as including such fraud.

Why AIPPI considers this an important area of study

- 6) Because of the differences in the treatment of bad faith between jurisdictions and the variability of the criteria for a finding of bad faith, there is a lack of predictability regarding what constitutes bad faith.² This means both trademark owners and applicants for registration may need to take different approaches in different jurisdictions.

Relevant treaty provisions

- 7) The Paris Convention for the Protection of Industrial Property (**Paris Convention**) contains only two references to bad faith, but does not in either case define or describe what constitutes bad faith. Article 6*bis* (3) provides that no time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith. Article 6*ter* (7) provides for particular rights in relation to cases of bad faith in relation to marks incorporating State emblems, signs and hallmarks.³
- 8) TRIPS provides no further guidance on what constitutes bad faith. A reference to bad faith is found in Article 24(7) of TRIPS, but this is confined to specific issues concerning the intersection between geographical indications and trademarks.

Previous work of AIPPI

- 9) AIPPI has not studied bad faith in relation to trademarks recently, or at least not in any specific detail.
- 10) In the Resolution on Q104 - "Trademarks: conflicts with prior rights" (Tokyo, 1992), AIPPI resolved that the prior use of an unregistered mark in good faith to a significant extent in the country where protection is sought, at least in the circumstances where the opposed applicant or registrant was aware of the existence of the mark or could not reasonably invoke ignorance, should be a ground for challenging a registration or an application for registration (with a possible condition for the exercise of this right being that the prior user apply for registration).
- 11) In the Resolution on Q143 - "Internet domain names, trademarks and trade names" (Rio de Janeiro, 1998), AIPPI resolved that:

... in those jurisdictions that provide for opposition or cancellation of a mark on the ground that the mark was filed or obtained in bad faith, mere use of a

² See also A. Tsoutsanis, *Het merkdepot te kwader trouw* (2005), p. 4 and A. Tsoutsanis, *Trade mark registrations in bad faith* (2010).

³ Article 6*septies* (1) Paris Convention also deserves to be mentioned. It provides: "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 or 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." This provision is not explicitly characterised as describing a type of conduct qualifying as bad faith (and therefore it is not further discussed here), but such conduct can arguably (also) qualify as bad faith.

domain name that includes a trademark should not qualify the subsequent filing by another party of said trademark as filed "in bad faith", unless the use of the domain name constitutes trademark usage and, in those jurisdictions that do not recognize trademark rights based solely on use, the trademark applicant has been aware or ought to have been aware (e.g. as a consequence of the trademark being well-known) of the prior use of said domain name.

- 12) In AIPPI's 2015 Study Question Q245 – "Taking unfair advantage of trademarks: parasitism and free riding", one of the questions enquired whether bad faith is or should be an element required for a successful action based on the taking of unfair advantage of a trademark. The Resolution on Q245 (Rio de Janeiro, 2015) does not mention bad faith.
- 13) During the AIPPI World Congress in Rio de Janeiro in September 2015, there was a panel session titled "Keeping the faith: dealing with bad faith registrations" with speakers from Brazil, Mexico, The Netherlands and the US. As evidenced by the discussion in that session, what constitutes "bad faith" and how "bad faith" may be proved differs considerably between jurisdictions.

Scope of this Study Question

- 14) This Study Question seeks to establish what types of conduct constitute bad faith in trademark law and how bad faith may be proved, both from the perspective of a prior user and the perspective of a third party objecting to e.g. a defensive mark or refiling. In this respect, a question to be answered will be whether a definition of bad faith as such is desirable, or whether it is preferable to identify circumstances that can be relevant to establishing bad faith, but without setting out specific requirements.⁴
- 15) This Study Question focuses on bad faith in the context of trademark applications and registrations. It does not address bad faith in the context of use, nor does it cover the role of bad faith in the context of the Paris Convention and TRIPs references as described above in paragraphs 7) and 8) above.

Discussion

Bad faith - prior third party use or filing

- 16) In the EU, Article 4(2) of the EU Trademark Directive 2015/2436/EC provides that a trademark shall be liable to be declared invalid where the application for registration of the trademark was made in bad faith by the applicant; and any Member State may also provide that such a trademark is not to be registered. Furthermore, pursuant to Article 5(4)(c) of this Directive, any Member State may, in addition, provide that a trademark is not to be registered or, if registered, is liable to be declared invalid where, and to the extent that the trademark is liable to be confused with an earlier trademark protected abroad, provided that, at the date of the application, the

⁴ In this respect, Kerly refers at p. 261 to case law in which the following is stated: "... *how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.*"

applicant was acting in bad faith.⁵ Bad faith is also mentioned as an invalidity ground in Article 52(1)(b) Trademark Regulation (Council Regulation (EC) 207/2009).

- 17) What constitutes bad faith is not set out in the legal provisions, and hence the notion of bad faith has been the subject of EU case law.
- 18) In the *Lindt* decision⁶, the European Court of Justice (**ECJ**) ruled that in order to determine whether the applicant is acting in bad faith, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trademark, in particular:
- a) the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;
 - b) the applicant's intention to prevent that third party from continuing to use such a sign; and
 - c) the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought.
- 19) In *Malaysian Dairy*⁷, the ECJ further clarified that the concept of bad faith, within the meaning of Article 4(4)(g) of Directive 2008/95, is an autonomous concept of European Union law which must be given a uniform interpretation in the European Union. Further, in order to permit the conclusion that the person making the application for registration of a trademark is acting in bad faith within the meaning of that provision, it is necessary to take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration. The fact that the person making that application knows or should know that a third party is using a mark abroad at the time of filing their application which is liable to be confused with the mark whose registration has been applied for is not sufficient, in itself, to permit the conclusion that the person making that application is acting in bad faith within the meaning of that provision.
- 20) In Australia, bad faith is included as an opposition ground in Article 62A Trade Marks Act 1995. The following is given as an example in which bad faith can be invoked:
- ... business people who identify a trade mark overseas which has no market penetration in Australia, and then register that trade mark with no intention to use it in the Australian market and for the express purpose of selling the mark to the overseas owner.*⁸

In *Fry Consulting Pty Ltd v Sports Warehouse Inc*⁹, the court stated that the test is whether "persons adopting proper standards would regard the decision to register as

⁵ In the previous Trademark Directive (2008/95/EC), the relevant provisions were art. 3(2)(d) resp. art. 4(4)(g), with the latter worded slightly differently than the current article.

⁶ ECJ 11 June 2009, C-529/07 (**Lindt**).

⁷ ECJ 27 June 2013, C-320/12 (**Malaysian Dairy**).

⁸ *Explanatory Memorandum to the Trade Marks Amendment Bill 2006* at 4.12.1.

⁹ (No 2) [2012] FCA 81. See also *DC Comics v Cheqout Pty Limited* [2013] FCA 478.

in bad faith, or that reasonable and experienced persons in the field would view such conduct as falling short of acceptable commercial behaviour." An example of a Trade Mark Office finding of bad faith concerns the application for the name of a well known comic character when the applicant was aware that the trademark had been widely used overseas, and in circumstances where the applicant is engaged in a pattern of similar behaviour.¹⁰

- 21) In Japan, the term "bad faith" is not as such included in the relevant statutory provisions, but there are several provisions that seem to cover similar situations to those mentioned above. Among those is Article 4(1)(xix) Japanese Trademark Act, which provides that a trademark shall not be registered, if it

... is identical with, or similar to, a trademark which is well-known among consumers in Japan or abroad ... if such trademark is used for unfair purposes ...

This Article can for example be invoked if an application is filed solely for the purpose of preventing the trademark owner of the well-known mark from entering the Japanese market, or for the purpose of making the trademark owner pay a significant amount of money. Also Article 4(1)(vii) can be invoked, namely if an applicant intends to misappropriate a trademark of a prior user.

- 22) In the US, bad faith is generally deemed to occur where one intentionally selects a mark to trade off the goodwill associated with another's mark.¹¹ It is a relevant factor when assessing likelihood of confusion and can be established through direct and/or circumstantial evidence of knowledge of the prior mark owner's rights and an intent to trade off those rights.

Bad faith - repeat filings and defensive marks

- 23) Another example of a situation involving dishonest use by the trademark applicant arguably may be found where the applicant refiles a trademark solely to circumvent genuine use requirements.
- 24) In the EU, there is some case law that is critical of such refiling. It follows from OHIM (now EUIPO) Board of Appeal case law that a person who files a trademark (essentially) identical to a trademark that person has previously filed (both in terms of goods/services and the sign itself) cannot circumvent genuine use requirements by this refiling; they will have to show genuine use for the goods/services covered by the earlier registration.¹²
- 25) While the case law referred to above addressed the refiling of a trademark in the context of the genuine use requirement, in the *Pelikan* case¹³, the Board seemed to

¹⁰ Shanahan, p. 461 citing *Marvel Characters Inc v Charles* [2011] ATMO 92.

¹¹ J.T. McCarthy, *McCarthy on trademarks and unfair competition* (2012), par. 23:116.

¹² Second Board of Appeal 13 February 2014, Case R 1260/2013-2 (*Kabelplus/Canal+*). See also Fourth Board of Appeal 15 November 2011, Case R 1785/2008-4 (*Pathfinder*), in which the board distinguished lack of genuine use from bad faith: "The sanction applied in the present decision is less severe than a finding of bad faith; where the latter would have excluded enforceability once and forever, the former gave the opponent a fair chance to prove that at least at some point in time the mark was used."

¹³ Second Board of Appeal 9 December 2010, Case R 1428/2009-2 (*Pelikan*).

accept that repeat applications for the same mark in order to avoid the consequences of revocation for non-use of earlier trademarks can amount to bad faith. Although the Board eventually concluded that there was no bad faith, it made some interesting statements relevant as to what may constitute bad faith. First, it stated that as to the alleged repeat applications, the repetitive nature of conduct may be taken into account in order to assess whether or not there is bad faith, with reference to an ECJ decision.¹⁴ Secondly, the Board stated that differences between the old and the new sign may be sufficient to escape a bad faith finding. This could be the case even if the difference is insignificant from a trademark point of view, for example if it concerns an updated version of the previous sign to meet evolving market requirements (without the sole intention being to prevent a third party from entering the market). The Board also stated that registration for a large number of goods and services is as such not decisive in an assessment of bad faith; it is rather common practice of companies trying to obtain a trademark registration.

- 26) Repeat trademarks should be distinguished from defensive trademarks, although there can be some overlap. In the case of a repeat filing, there is usually (although not necessarily) actual or intended activity by the applicant. In the case of defensive trademarks, there is no such activity - the trademark is solely filed to block others from entering the market. Of course, a reason for this may be to keep open the option for the applicant to enter the market at a later stage.
- 27) In several jurisdictions, at least an "intent to use" a trademark applied for is required. For example, under Japanese law this requirement is in Article 3(1) Japanese Trademark Act (which may in particular be problematic for an applicant where registration is sought for a broad range of goods and/or services). Also in the US and Australia an "intent to use" is required. However, it seems that generally a lack of intent to use is not referred to as "bad faith".
- 28) EU law does not require an "intent to use" as such. It has even been argued that such a requirement is not compatible with Article 16(3) TRIPS, which provides that an application shall not be refused solely because intended use has not taken place before the expiry of a period of three years from the date of application.¹⁵
- 29) Apart from the examples above, there may be other situations in which bad faith (or a similar concept) is deemed to exist. For example, in the US false statements provided to the USPTO can give rise to "fraud".

You are invited to submit a Report addressing the questions below. Please refer to the 'Protocol for the preparation of Reports'.

¹⁴ ECJ 3 June 2010, C-569/08 (*Internetportal*), in which the court ruled (although in the context of Regulation 874/2004) that a repetitive nature of conduct (see legal ground 51) and also the intention not to use the trademark in the market for which protection was sought (see legal ground 46) can be a relevant factor when assessing bad faith.

¹⁵ See also Kerly p. 276-277. The authors opine that a provision requiring an intent to use at some point in the five years after the trademark is registered may be compatible with TRIPs, but that a provision requiring a "*present and settled intention*" at the time of application is not compatible.

Questions

I. Current law and practice

Bad faith - prior third party use or filing

- 1) Does your Group's current law provide for an action against the application or registration for a trademark in a jurisdiction by a party (**Party A**), if that trademark or a similar sign is already used in one or more jurisdictions by another party (**Party B**), but is not registered in the jurisdiction where Party A has filed the trademark?

If yes, please answer questions 2) – 7). If no, please go to question 8).

- 2) Is the application or registration as described under question 1) above denoted as "bad faith"? If not, what is it called?

- 3) Are the following factors relevant for proving an application or registration as described under question 1) in your jurisdiction?

Please tick or fill in all boxes as applicable to your jurisdiction. If you select "other", please describe further.

- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for identical goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for similar goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign in the same jurisdiction for identical goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign in the same jurisdiction for similar goods or services
- Party A intends to prevent Party B from continuing to use the earlier sign or to only allow such under certain conditions (e.g. a license)
- the degree of legal protection enjoyed by Party B's sign and the sign used by party A
- other

- 4) Is any one or more of the above factors sufficient on their own, or will the assessment instead always take the specific circumstances of the case into account? If one or more of those factors are sufficient on their own, please identify those factors.

- 5) Which of the following factors are relevant to establishing whether there was or should have been knowledge as described under question 3) above?

Please tick or fill in all boxes as applicable to your jurisdiction. If you select "other", please describe further.

- whether Party A operates in the same or a similar field of business as Party B
- whether the earlier sign is well known or enjoys a reputation

- whether there have been formal or informal dealings or contact between Party A and B (such as an agreement, written communication etc.)
 - other
- 6) Is the degree of similarity between the signs relevant? Please explain why in either case.
- 7) Is the degree of similarity between the goods/services relevant? Please explain why in either case.

Repeat filings

- 8) Can the filing of a trademark in your Group's jurisdiction by a trademark owner for a trademark identical or similar to a trademark it already owns in that jurisdiction be refused or cancelled on the ground that the previous trademark fails to meet applicable genuine use requirements?

If yes, please answer questions 9) -11). If no, please go to question 12).

- 9) Is the application or registration as described under question 8) above denoted as "bad faith"? If not, what is it called?
- 10) Which of the following factors are relevant when assessing whether a trademark as described under question 8) should be refused or cancelled?

Please tick or fill in all boxes as applicable to your jurisdiction. If you select "other", please describe further.

- the degree of overlap between the goods/services
- whether or not the signs are identical
- if the signs are different, the degree of difference
- absence or presence of intent to use
- other intentions (e.g. the filing of an updated version of a trademark to meet evolving market requirements)
- the number of goods/services
- other

Please explain how each of the factors selected above influence the assessment.

- 11) Are the answers to questions 8) -10) above different if the previous trademark is no longer in force? Please explain.

Defensive marks

- 12) Is it permissible under your Group's current law to file a trademark if the trademark owner does not have any intent to use that trademark for part or all of the goods/services claimed? If not, is there a timeframe (and if so, what) for such intention to use (e.g. must the intent be to start use immediately)?

If yes, please answer question 13). If no, please go to question 14).

- 13) Is the application or registration as described under question 12) above denoted as "bad faith"? If not, what is it called?

Other

- 14) Does any other conduct in respect of trademarks, as an independent ground for action, amount to bad faith¹⁶ under your Group's current law? If so, what conduct and how is it denoted, ie as "bad faith" or something else?

Type of proceedings

- 15) In which proceedings can the grounds, inasfar as they are available under your Group's current law, described in your response to questions 1), 8), 12) and 14) above be invoked in your jurisdiction?

Please tick or fill in all boxes as applicable to your jurisdiction. If you select either of the last two boxes, please describe further.

- ex officio* by the trademark/IP office
- opposition proceedings (before the trademark/IP office)
- a cancellation action (before the trademark/IP office)
- court proceedings concerning a bad faith application
- court proceedings concerning a bad faith registration
- it differs per ground
- other

Policy considerations and proposals for improvements of your current law

- 16) Could any of the following aspects of your Group's current law be improved?

For each of a)-d), please tick or fill in only the applicable box. If you select "yes", please explain.

- a) The possibility of taking action against the application or registration of a trademark in a jurisdiction by a Party A, if that trademark or a similar sign is already used in one or more jurisdictions by a Party B, but is not registered in the jurisdiction where Party A has filed the trademark

- Yes
- No

- b) The possibility of taking action against or refusing the refiling of a trademark by a trademark owner as described above under question 8) above

- Yes

¹⁶ Including fraud within the context of this Study Question, as explained on p. 1 at paragraph 5).

- No
- c) The possibility of taking action against or refusing the filing of a trademark by a trademark owner without an intent to use such for part or all of the goods/services claimed as described above under question 12) above.
- Yes
- No
- d) The possibility of taking action against other conduct as described in your response to question 14) above.
- Yes
- No
- 17) Are there any other policy considerations and/or proposals for improvement to your current law falling within the scope of this Study Question?

Proposals for harmonisation

- 18) Does your Group consider that harmonisation in any or all of the four areas described in question 16) above is desirable?
- If yes, please respond to the following questions without regard to your Group's current law.*
- Even if no, please address the following questions to the extent your Group considers your Group's current law could be improved.*
- 19) Does your Group consider there should be a harmonised definition of bad faith?
- Please tick or fill in only the applicable box. If you have different reasons for selecting "no" or "yes" to those identified, please explain.*
- No; identifying circumstances that can be relevant in assessing whether the types of conduct identified above under question 16) are allowed can be helpful, but a definition as such does not allow sufficient flexibility
- No
- Yes; such would increase the level of legal certainty
- Yes

Bad faith - third party use or filing

- 20) Should it be possible to take action against the application or registration for a trademark in a jurisdiction by a Party A, if that trademark or a similar sign is already used in one or more jurisdictions by a Party B, but is not registered in the jurisdiction where Party A has filed the trademark?
- If yes, please answer questions 21) – 25). If no, please go to question 26).*

21) Which of the following should be relevant factors for proving an application or registration as described under question 20)?

Please tick or fill in all relevant boxes. If you select "other", please describe further.

- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for identical goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for similar goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign in the same jurisdiction for identical goods or services
- Party A knows, or should reasonably be aware, of use of an identical or similar sign in the same jurisdiction for similar goods or services
- Party A intends to prevent Party B from continuing to use the earlier sign or to only allow such under certain conditions (e.g. a license)
- the degree of legal protection enjoyed by Party B's sign and the sign used by party A
- other

22) Should any one or more of the above factors be sufficient on their own, or should the assessment instead always take the specific circumstances of the case into account? If one or more factors should be sufficient on their own, which should they be?

23) Which of the following should be relevant when establishing whether there was or should have been knowledge as described above under question 21) above?

Please tick or fill in all relevant boxes. If you select "other", please describe further.

- whether Party A operates in the same or a similar field of business as Party B
- whether the earlier sign is well known or enjoys a reputation
- whether there have been formal or informal dealings or contact between Party A and B (such as an agreement, written communication etc.)
- other

24) Should the degree of similarity between the signs be relevant? Please explain why or why not.

25) Should the degree of similarity between the goods/services be relevant? Please explain why or why not.

Repeat filings

26) Should it be possible to refuse or cancel the filing by a trademark owner of a trademark identical or similar to a trademark it already owns in your Group's jurisdiction on the grounds that it fails to meet applicable genuine use requirements?

If yes, please answer questions 27) – 28). If no, please go to question 29).

- 27) Which of the following factors should be relevant when assessing whether a trademark as described under question 26) above should be refused or cancelled?

Please tick or fill in all relevant boxes. If you select "other", please describe further.

- the degree of overlap between the goods/services
- whether or not the signs are identical
- if the signs are different, the degree of difference
- absence or presence of intent to use
- other intentions (e.g. the filing of an updated version of a trademark to meet evolving market requirements)
- number of goods/services
- other

Please explain how each of the factors selected above should influence the assessment.

- 28) Should the answers to questions 26) - 27) above be different if the previous trademark is no longer in force? if so, how?

Defensive marks

- 29) Should it be permissible to file a trademark if the trademark owner does not have any intent to use that trademark for part or all of the goods/services claimed? If not, should there be a timeframe (and if so, what) for such intention to use (e.g. must the intent be to start use immediately)? Please explain.

Other

- 30) Should any other conduct in respect of trademarks, as an independent ground for action, amount to bad faith¹⁷? If yes, please explain.

Type of proceedings

- 31) In which proceedings should it be possible to invoke the grounds described in your response to questions 20), 26), 29) and 30) above, insofar as they should be grounds for action in your view?

Please tick or fill in all boxes. If you select either of the last two boxes, please describe further.

- ex officio* by the trademark/IP office
- opposition proceedings (before the trademark/IP office)

¹⁷ Including fraud within the context of this Study Question, as explained on p. 1 under paragraph 5) above.

- a cancellation action (before the trademark/IP office)
- court proceedings concerning a bad faith application
- court proceedings concerning a bad faith registration
- it differs per ground
- other

Other

- 32) Please comment on any additional issues concerning bad faith (or equivalent concepts) in the context of trademark law you consider relevant to this Study Question.