

## **Chapter 1:**

**Outline of Systems and Practices of the TM5 Offices  
against Bad-faith Trademark Filings**

## Tackling Bad Faith Trademark Filings in Japan (Chapter 1 of Report )

### 1. Tackling Bad Faith Trademark Filings under the Trademark Act

#### (1) Bad Faith Trademark Filings

There is no definition in the Trademark Act about so-called bad faith trademark filings. In general, bad faith trademark filings refer to an act in which a trademark is filed for unfair purposes, taking advantage of the fact that another person's trademark is not registered in the country/region concerned.

#### (2) Related Provisions under the Trademark Act

In Japan, the following legal grounds are used against bad faith trademark filings. First, principal paragraph of Article 3(1) requires applicants to have an intention to use the mark.

Second, Article 4(1)(vii) does not allow trademarks against public order or morality to be registered.

Third, Article 4(1)(viii) does not allow trademarks containing a name, etc. of another person to be registered (excluding well-known trademarks approved by the said person).

Fourth: Article 4(1)(x) does not allow trademarks identical with or similar to another person's well-known trademarks to be registered.

Fifth: Article 4(1)(xv) provides for the likelihood of confusion as to the origin of another person's goods as a reason for refusal of registration.

Sixth: Article 4(1)(xix) does not allow trademarks identical with or similar to another person's well-known trademarks and used for unfair purposes to be registered.

Seventh: Article 53bis, which corresponds to Article 6septies of the Paris Convention, provides for trials for cancellation of counterfeiting registration by agents.

As explained above, there are several articles which can be applied to bad faith trademark filings. Among them, Article 4(1)(vii) and Article 4(1)(xix) are mainly used to tackle bad faith trademark filings.

In particular, the Japan Patent Office sets forth in the Trademark Examination Guidelines and other regulations how to apply Article 4(1)(xix) which specifies unfair purposes as legal requirements.

#### (3) Refusing Trademarks Identical with or Similar to Another Person's Well-known Trademark and Used for Unfair Purposes

The provision of Article 4(1)(xix) of the Japanese Trademark Act was introduced in

response to the revision in 1996.

There are three requirements for applying this provision. The first requirement is that another person's trademark (cited trademark) is well-known in Japan or abroad. The second requirement is that applied trademark and another person's well-known trademark (cited trademark) are identical or similar. The third requirement is that the applied trademark is used for unfair purposes.

#### (4) Trademark Applications that Falls under Article 4(1)(xix) of the Japanese Trademark Act

The followings cases are adopted in the Trademark Examination Guidelines as applications that falls under Article 4(1)(xix).

For example, in cases where trademarks well-known abroad are not registered in Japan, (a) applications filed for the purpose of making the owner of the well-known trademark buy the trademark rights for a high price; (b) applications filed for the purpose of preventing the owner of the well-known trademark from entering the Japanese market; and (c) applications filed for the purpose of forcing the owner of the well-known trademark to enter into a distributor agreement, fall under Article 4(1)(xix).

Moreover, even in cases where there is no likelihood of confusion between the another person's trademark well-known throughout Japan and the applied trademark identical with or similar to the said trademark; (a) applications filed to dilute the function of indicating the origin and (b) applications filed to impair the reputation of the well-known trademark fall under Article 4(1)(xix).

#### (5) Determining “Unfair Purposes” under Article 4(1)(xix)

If materials that demonstrate facts listed below are available, the JPO conducts examination taking them into consideration in order to determine “unfair purposes”.

For example (a) the another person's trademark is well-known among consumers (period, scope and frequency of use, etc.); (b) the well-known trademark consists of coined words or has highly distinctive features in composition; (c) the owner of the well-known trademark has a specific plan to enter the Japanese market; (d) the owner of the well-known trademark has a plan to expand business in the near future; (e) demands from the applicant forcing the owner of the well-known trademark to buy the trademark rights or to enter into a distributor agreement; and (f) risks of damaging credibility, reputation and goodwill accumulated in the well-known trademark if the applicant uses the trademark.

(6) Presumption of “Unfair Purposes” under Article 4(1)(xix)

Even if materials to prove facts listed in (5) above are not found in determining unfair purposes, a trademark application that meets both of the following requirements is presumed as having an intention to use “another person’s well-known trademarks” for unfair purposes because it is highly unlikely that the trademark coincides with the said well-known trademark only by accident.

(a) The trademark filed is identical with or remarkably similar to the trademark well-known in one or more foreign countries or well-known throughout Japan.

(b) Another person’s well-known trademark consists of coined words, is creative or has highly distinctive features in composition

The Trademark Examination Guidelines provide that trademark applications that meet these two requirements are presumed as having unfair purposes.

2. Scheme for Tackling Bad Faith Filings in Japan

Bad faith trademark filings can be refused in the examination of the JPO under the Trademark Act. In addition, if bad faith trademark filings are registered, it is allowed to request oppositions to the grant of trademark registrations and trials for invalidation. If unfair purposes are found, bad faith trademark filings can be invalidated at any time.

3. Information Provision System

Anyone can provide information that pending applications at the JPO should not be registered and materials that provide grounds for it.

Information provided is used as reference of examinations. The information provision system is very important to tackle bad faith trademark filings, because users do not need to subsequently request unnecessary oppositions and trials for invalidation and the JPO improves the accuracy and expeditiousness of examination and as a result, prevents defective trademark rights from being registered.

4. Summary

The JPO can refuse bad faith trademark filings in the examination of the JPO under the Trademark Act. Moreover, provision of information can be effective material to refuse registration of bad faith trademark filings in the examination.

### **[Summary of the KIPO system and practice in dealing with bad-faith marks]**

KIPO has struggled to tackle bad-faith marks by adopting new system as well as amending the existing system and practice.

#### **I. Article 7(1)(xii), Korean Trademark Act**



##### **Requirements and Court Decisions**






Article 7(1)(xii) of the Korean Trademark Act stipulates that trademarks, which are identical or similar to a trademark recognized by consumers inside or outside the Republic of Korea as indicating the goods of a particular person, and are used to obtain unjust profits or to inflict harm on a particular person, cannot be registered.

This article was revised in 2007 (by deleting a word of “remarkably”), mitigating the required level of well-knownness of prior used and/or prior registered trademarks. And to prove well-known status, sales volumes, advertising expenditures, market shares, brand rankings, worldwide trademark registration and promotional materials have been generally submitted to KIPO and/or Court; further, well-known status needs to be demonstrated by significant sales figures, advertising figures, and significant market share detailed in objective documents.

However, some recent Supreme Court decisions made it easier to demonstrate well-known status. The Patent Court (2<sup>nd</sup> phase of appeal procedures), following a well-established practice, denied the well-known status of JUNKERS mark based on the fact that sales figures of JUNKERS watches are not exactly specified and there is no critical evidence to prove JUNKERS watches’ market shares and advertising figures. However, the Supreme Court reversed the Patent Court decision based on how long the JUNKERS mark has been used, how many shops are selling the watches and the assessment of the watches (Case No. 2013HU2460).

Concerning bad-faith, KIPO and/or Court take the followings into consideration: (i) famousness of well-known/famous trademarks, (ii) creativity of well-known trademarks, (iii) whether the applicant is preparing for a business using the registered trademark, or (iv) whether the designated goods/services are same, similar, or economically related.

In this regard, in the procedure of invalidating “” mark, which is similar to “”, the

Supreme Court recognized the bad-faith in “” mark on not only bags, but also guts to make sausages, canes saddles trees and bridles (harness) based on the followings: (i) famousness of “” mark, (ii) the similarity between “” and “” and (iii) the fact that the registrant of “” had filed several applications in the past which have

confusing similarities to those by the owner of “**LV**” .

#### **KIPO's New Practice**

KIPO has strengthened its efforts to prevent bad-faith filing applications from being registered since August 2013, indicating that bad-faith filing applications could be rejected by ex officio examination even without information provided by a third party.

## **II. Other Trademark Act Articles related to deal with bad-faith marks**

### **Korean Trademark Act came into effect on June 11, 2014**

An application will be refused where the applicant obtained knowledge of the mark from the original owner through an agreement, transaction or other relationship [Article 7(1)(xviii), Korean Trademark Act]. In applying this article, proving well-known status of prior used mark is not required.

Further, KIPO protects (notably) well-known marks when a third party's mark would damage the distinctiveness or reputation of (notably) well-known marks (Article 7(1)x, Korean Trademark Act).

### **Revision of Trademark Examination Guideline of KIPO effective on Jan 1, 2014**

According to Article 23(1)(iii) of the Korean Trademark Act, a trademark cannot be registered where it is identical or similar to one registered in the territory of a State party to a treaty and has been filed by someone who is or was an agent or representative of the owner of the trademark within one year prior to the filing date without the owner's authorization, for designated goods identical or similar to the designated goods covered by the owner's trademark.

The revised guideline extends the notion of “agent” and “representative”. In details, an application filed by an employee of a former agent will be treated as if it had been filed by the agent itself. Likewise, if an application is filed by another company owned by a former agent or represented by the former agent, the application can be also rejected. In accordance with the Act, this Article shall apply only where an opposition has been filed by the owner, or information has been provided.

Article 3 of the Korean Trademark Act stipulates that any person who uses or intends to use a trademark in the Republic of Korea may be entitled to have his/her trademark registered.

In this regard, Article 42-2, the Trademark Examination Guideline stipulates that when a KIPO examiner has a doubt that the applicant files a trademark application for the

purpose of prior occupation and/or interfering with a third party's trademark registration without the intention of use, the examiner can issue a provisional refusal. In this case, the examiner can presume the subjective intention such as prior occupation by referring to not only the pertinent application, but also the history of the applicant's present and/or past trademark applications and/or registration and/or the scope of the applicant's current business. Further, if the applicant files a mark of celebrities' names, TV Program titles and titles of famous characters on more than two non-similar goods/services or a certain mark and/or a large number of marks on a large number of goods/services, the examiner can issue a provisional refusal.

# **GUIDELINES FOR EXAMINATION IN THE OFFICE FOR HARMONIZATION IN THE INTERNAL MARKET (TRADE MARKS AND DESIGNS) ON COMMUNITY TRADE MARKS**

## **PART D**

### **CANCELLATION**

#### **SECTION 2**

#### **SUBSTANTIVE PROVISIONS**

Some paragraphs of this part of The Guidelines were revised and updated, namely General Remarks (paragraph 1), Revocation due to non-use of the CTM (paragraphs 2.1 and 2.2), Paragraph 3.3 (Bad faith as an absolute ground for invalidity) and Relative Grounds for Invalidity (paragraph 4). Res Judicata, as far as relative grounds are concerned, has also been revised (paragraph 5).

The remaining paragraphs dealing with Revocation due to marks becoming generic or misleading (paragraphs 2.3. and 2.4) and Absolute grounds for invalidity (paragraph 3, with the exception of paragraph 3.3) will be revised within Work Package 2.





## **2.4 CTM becoming misleading**

Revision within WP2

## **3 Absolute grounds for invalidity**

### **3.1 CTM registered contrary to Article 7**

Revision within WP2

### **3.2 Defence against a claim of lack of distinctiveness**

Revision within WP2

### **3.3. Bad faith**

The CTMR considers bad faith only as an absolute ground for the invalidity of a CTM, to be relied on either before OHIM or by means of a counterclaim in infringement proceedings. Therefore, bad faith is not relevant in examination or opposition proceedings (with regard to opposition proceedings, see judgment of 17/12/2010, T-192/09, 'Seve Trophy', para. 50).

#### **3.3.1 Relevant point in time**

The relevant time for determining whether there was bad faith on the part of the CTM owner is the time of filing of the application for registration. However, it must be noted that:

- Facts and evidence dated prior to filing can be taken into account for interpreting the owner's intention at the time of filing the CTM. Such facts include, in particular, whether there is already a registration of the mark in a Member State, the circumstances under which that mark was created and the use made of it since its creation (see paragraph 3.3.2.1, point 3 below).
- Facts and evidence dated subsequent to filing can sometimes be used for interpreting the owner's intention at the time of filing the CTM, in particular relating to whether the owner has used the mark since registration (see paragraph 3.3.2.1, point 3 below).

#### **3.3.2 Concept of bad faith**

As observed by Advocate General Sharpston (opinion of 12/03/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli'), the concept of bad faith referred to in Article 52(1)(b) CTMR is not defined, delimited or even described in any way in the legislation. However, the Court of Justice provided some guidance on how to interpret this concept in its judgment in the same case, as did the General Court in several cases (judgments of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', of 14/02/2012, T-33/11, 'BIGAB' and judgment of 13/12/2012, T-136/11, 'Pelikan').

One way to describe bad faith is 'conduct which departs from accepted principles of ethical behaviour or honest commercial and business practices' (opinion of Advocate General Sharpston of 12/03/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', para. 60; similar decision of 01/04/2009, R 529/2008-4 – 'FS', para. 14).

In order to find out whether the owner had been acting in bad faith at the time of filing the application, an overall assessment must be made in which all the relevant factors of the individual case must be taken into account. A non-exhaustive list of such factors is given below.

#### 3.3.2.1 Factors likely to indicate the existence of bad faith

Case-law shows three cumulative factors to be particularly relevant:

1. Identity/confusing similarity of the signs: The CTM allegedly registered in bad faith must be identical or confusingly similar to the sign to which the invalidity applicant refers. Whereas the fact that marks are identical or confusingly similar is not in itself sufficient to show bad faith (re identity, see judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 90), a dissimilar or not confusingly similar mark will not support a finding of bad faith.
2. Knowledge of the use of an identical or confusingly similar sign: The CTM owner knew or must have known about the use of an identical or confusingly similar sign by a third party for identical or similar products or services.

There is knowledge, for example, where the parties have been in a business relationship with each other, while knowledge may be presumed to exist ('must know') on the basis, inter alia, of general knowledge in the economic sector concerned or duration of use. The longer the use of a sign, the more likely it is that the CTM owner had knowledge of it (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', para. 39). On the other hand, a presumption of knowledge is less likely when the sign was registered in a non-EU country and there was only a short time between the application for registration in that non-EU country and an application for registration in an EU country (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 61).

A finding of bad faith based on the knowledge of the existence of an earlier sign might also be justified when the CTM was applied for in respect of goods or services which, although dissimilar (i.e. with reference to the *Canon* criteria) to those covered by the invalidity applicant's sign, can be considered as belonging to a neighbouring/adjacent market and thus to an area into which the invalidity applicant's sign can be reasonably expected to be extended. On the other hand, the more removed the goods or services of the CTM are from those in respect of which the invalidity applicant's sign is used, the more unlikely a finding of dishonest conduct and, therefore, of bad faith would be (although, depending on the overall circumstances of the case, a finding of bad faith could be envisaged also in respect of goods or services which are far removed from those in respect of which the invalidity applicant's sign is used and where it is shown that the invalidity applicant's sign is reputed and that the CTM owner's aim was to unduly benefit from this reputation).

Knowledge is not sufficient in itself to support a finding of bad faith (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', paras 40, 48 and 49). For example, it cannot be excluded that, where a number of producers use, on the market, for identical or similar goods, identical or similar signs that could give rise to confusion with the sign for which registration is sought, the CTM owner's registration of the sign may be in pursuit of a legitimate objective. This could be the case where the CTM owner knows, at the time of filing the CTM application, that a third undertaking is making use of the mark covered by that application by giving its clients the impression that it officially distributes the goods sold under that mark, even though it has not received authorisation to do so (judgment of 14/02/2012, T-33/11, 'BIGAB', para. 27).

Knowledge or presumption of knowledge of an existing sign is not required where the CTM owner misuses the system with the intention of preventing any similar sign from entering the market (see, for example, artificial extension of the grace period for non-use in paragraph 3.3.2.1, point 3(b) below).

3. Dishonest intention on the part of the CTM owner: This is a subjective factor that has to be determined by reference to objective circumstances (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', para. 42). Again, several factors can be relevant. See, for example, the following case scenarios:

- (a) While it is not a requirement of the CTM system that a CTM owner must at the time of applying for a CTM also have the intention of using it, it could be seen as an indication of dishonest intention if it subsequently becomes apparent that the owner's sole objective was to prevent a third party from entering the market (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', para. 44).

On the other hand, if there is commercial logic to the filing of the CTM and it can be assumed that the CTM owner intended to use the sign as a trade mark, this would tend to indicate that there was no dishonest intention. For example, this could be the case if there is a 'commercial trajectory', such as the registration of a CTM after registration of the mark in a Member State (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 58), if there is evidence of the CTM owner's intention to develop its commercial activities, for example by means of a licensing agreement (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 67) or if the CTM owner had a commercial incentive to protect the mark more widely, for example, an increase in the number of MS in which the owner generates turnover from goods marketed under the mark (judgment of 14/02/2012, T-33/11, 'BIGAB', paras 20, 23).

The existence of a direct or indirect relationship between the parties prior to the filing of the CTM, for example a pre-contractual, contractual or post-contractual (residual) relationship, can also be an indicator of bad faith on the part of the CTM owner (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', paras 85 to 87). The CTM owner's registration of the sign in its own name in such cases can, depending on the circumstances, be considered a breach of honest commercial and business practices.

- (b) One example of a situation which may be taken into account in order to assess whether the proprietor acted in bad faith is where a CTM owner

tries to artificially extend the grace period for non-use, for example by filing a repeat application of an earlier CTM in order to avoid the loss of a right as a result of non-use (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 27).

This case needs to be distinguished from the situation in which the CTM owner, in accordance with normal business practice, seeks to protect variations of its sign, for example, where a logo has evolved (judgment of 13/02/2012, T-136/11, 'Pelikan', paras 36 et seq.).

Other potentially relevant factors identified in case-law and/or Office practice to assess the existence of bad faith include:

- (i) The circumstances under which the contested sign was created, the use made of it since its creation and the commercial logic underlying the filing of the application for registration of that sign as a CTM (judgment of 14/02/2012, T-33/11, 'BIGAB', paras 21 et seq.).
- (ii) The nature of the mark applied for. Where the sign for which registration is sought consists of the entire shape and presentation of a product, the fact that the CTM owner was acting in bad faith at the time of filing might more readily be established where the competitors' freedom to choose the shape of a product and its presentation is restricted by technical or commercial factors, with the result that the CTM owner is able to prevent his competitors not merely from using an identical or similar sign, but also from marketing comparable products (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', para. 50).
- (iii) The degree of inherent or acquired distinctiveness enjoyed by the invalidity applicant's sign and the CTM owner's sign.
- (iv) The fact that the national mark on which the CTM owner has based a priority claim has been declared invalid due to bad faith (decision of 30/07/2009, R 1203/2005-1 – 'BRUTT').

### 3.3.2.2 Factors unlikely to indicate the existence of bad faith

Case-law has identified several factors that, in general, are unlikely to prove bad faith. However, it cannot be excluded that, when they are combined with other factors, the result of the overall assessment might be a finding of bad faith:

- Extending the protection of a national mark by registering it as a CTM falls within a company's normal commercial strategy (judgment of 14/02/2012, T-33/11, 'BIGAB', para. 23, judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 58).
- Bad faith cannot be found on the basis of the length of the list of goods and services set out in the application for registration (judgment of 07/06/2011, T-507/08, '16PF', para. 88). As a rule, it is legitimate for an undertaking to seek registration of a mark not only for the categories of goods and services that it markets at the time of filing the application but also for other categories of goods and services that it intends to market in the future (judgment of 14/02/2012, T-33/11, 'BIGAB', para. 25; judgment of 07/06/2011, T-507/08, '16PF', para. 88).

- The fact that the owner of several national marks decides to apply for a CTM for only one and not all of them cannot be an indication of bad faith. The decision to protect a mark at both national and Community level is a choice dictated by the proprietor's marketing strategy. It is not for OHIM or the Court to interfere with this choice (judgment of 14/02/2012, T-33/11, 'BIGAB', para. 29).
- If a sign enjoys a reputation at national level and the owner applies for a CTM, the extent of the sign's reputation might justify the owner's interest in ensuring broader legal protection (judgment of 11/06/2009, C-529/07, 'Chocoladenfabriken Lindt & Sprüngli', paras 51 and 52).
- The fact that, after successfully registering the CTM at issue, the CTM owner serves formal notice on other parties to cease using a similar sign in their commercial relations is not an indication of bad faith. Such a request falls within the scope of the rights attaching to the registration of a CTM; see Article 9 CTMR (judgment of 14/02/2012, T-33/11, 'BIGAB', para. 33).
- The mere fact that the differences between the CTM at issue and the invalidity applicant's sign are so insignificant as not to be noticeable to the average consumer cannot establish that the contested CTM is a mere repeat application made in bad faith (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 34). The evolution over time of a logo intended as the graphic representation of a mark constitutes normal business practice (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 36).
- The fact that an earlier, very similar, CTM was revoked for goods or services in a number of classes is not, in itself, sufficient to allow any conclusions to be drawn as to the CTM owner's intentions at the time of filing the CTM application for the same goods or services (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 46), since it was filed five years before the revocation action was launched.
- The fact that the application for registration of the contested CTM is filed three months before expiry of the period of grace for the earlier CTMs is not sufficient to counteract factors that show that the CTM owner's intention was to file a modernised trade mark covering an updated list of services (judgment of 13/02/2012, T-136/11, 'Pelikan', paras 50 and 51).
- The filing of applications for declarations that the invalidity applicant's marks are invalid constitutes the legitimate exercise of a CTM owner's exclusive right and cannot in itself prove any dishonest intent on its part (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 66).
- A request for compensation made by the CTM owner to the invalidity applicant (even a seemingly disproportionate compensation) does not in itself establish bad faith (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 88).
- The fact that the signs at issue are identical does not establish bad faith where there are no other relevant factors (judgment of 01/02/2012, T-291/09, 'Pollo Tropical CHICKEN ON THE GRILL', para. 90).
- Concurrent use of the marks over a long period (several years) prior to the contested application without any attempts by the invalidity applicant, who knew

about the CTM owner's use, to stop that use, might be an indicator that the CTM owner was not in bad faith.

### 3.3.3 Proof of bad faith

Good faith is presumed until proof to the contrary is adduced (judgment of 13/02/2012, T-136/11, 'Pelikan', para. 57). The invalidity applicant needs to prove that there was bad faith on the part of the CTM owner at the time of filing the CTM, for example that the CTM owner had no intention of using the CTM or that its intention was to prevent a third party from entering the market.

### 3.3.4 Relation with other CTMR provisions

Whilst Article 8(3) CTMR is a manifestation of the principle that commercial transactions must be conducted in good faith, Article 52(1)(b) CTMR is the general expression of that principle (see page 4 et seq. of the Manual on Article 8(3) CTMR).

### 3.3.5 Extent of invalidity

When bad faith of the CTM owner is established, the whole CTM is declared invalid, even for goods and services that are unrelated to those protected by the invalidity applicant's mark.

For example, the Board of Appeal, in its decision of 21 April 2010 in Case, R 219/2009-1 'GRUPPO SALINI/SALINI', having concluded that bad faith had been proven, declared the total invalidity of the contested CTM also in respect of services (i.e. insurance, financial and monetary services in Class 36 and software and hardware-related services in Class 42) which were dissimilar from the invalidity applicant's building, maintenance and installation services in Class 37.

The General Court, in its judgment of 11 July 2013 in case T-321/10, confirmed the above decision of the Board and shared the view, put forward by the Office in its Response, that a positive finding of bad faith at the time of filing of the contested CTM could only lead to the total invalidity of the latter.

Whereas the Court did not expand on the reasons for this conclusion, it can be safely inferred that it took the view that the protection of the general interest in business and commercial matters being conducted honestly justifies invalidating a CTM also in respect of goods/services that are dissimilar from the invalidity applicant's ones and do not even belong to an adjacent or neighbouring market.

Whereas more case-law from the Court is needed in order to clarify certain aspects of bad faith and in particular its scope of application, it should be noted that, to the extent that bad faith punishes conducts that are contrary to accepted principles of ethical behaviour or honest commercial and business practices, it is only logical that the invalidity, once declared, should extend to all the goods and/or services covered by the contested CTM, even those which, in a pure Article 8(1)(b) scenario, would be found to be dissimilar.

## **Chinese Legal System of Coping with Bad-faith Filing of Trademark**

### **I. What kind of trademark application might be termed as “bad-faith filing”?**

There's no clear definition of bad-faith application in the laws on trademarks. However, bad-faith application of trademark usually refers to the act of application for trademark registration that is against the principle of good faith, for the purpose of grabbing or unfairly exploiting the goodwill of another party's trademark(s), infringing another party's prior rights, or encroaching public resources.

### **II. Common types of bad-faith filing and the related provisions in the *Trademark Law***

In China, the prohibition of bad-faith application is mainly carried out by the Trademark Office through opposition procedure, and the Trademark Review and Adjudication Board through invalidation procedure, and the court through law suit.

Common types of bad-faith application include the following situations:

#### **1. Reproducing, imitating, or translating another party's well-known trademark**

According to Article 13 of the *Trademark Law*, both unregistered and registered well-known trademarks might be protected in China.

Paragraph 2 of Article 13 provides that: "A trademark that is applied for registration in identical or similar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of another party's well-known mark that is not registered in China and it is liable to create confusion." This provides protection on identical or similar goods/services for well-known trademarks that have not been registered in China.

Paragraph 3 of Article 13 provides that: "A trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of a well-known mark which is registered in China, misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged by such use." This provides expanded protection on non-identical or dissimilar goods/services for well-known trademarks that have already been registered in China.

#### **2. Applying in unfair means for the registration of a trademark that is already in use by another party and has certain influence.**

According to Article 32 of the *Trademark Law*, no trademark application shall infringe upon another party's existing prior rights. Nor shall an applicant register in an unfair means a mark that is already in use by another party and has certain influence.

The requisite conditions for a prior used unregistered trademark to prevent



posterior trademark registration include:

- 1) the other party's trademark is already in use and has acquired certain influence before the application of the disputed trademark;
- 2) the disputed trademark is identical with or similar to the other party's trademark;
- 3) the designated goods/services of the disputed trademark are identical with or similar to the related goods/services of other party's trademark in principle;
- 4) the applicant of the disputed trademark bears bad faith.

### **3. Applying for the registration of a trademark that infringes another party's prior rights**

According to Article 32 of the *Trademark Law*, no trademark application shall infringe upon another party's existing prior rights, which mainly include intellectual property rights other than trademark right (such as trade name right, copyright and design etc.) and personal right (including portraiture right and right of name).

### **4. The agent or representative of a person who is the owner of a trademark applying in bad faith for the registration of the mark in his own name**

According to paragraph 1 of Article 15 of the *Trademark Law*, where the agent or representative of a person who is the owner of a mark applies, without such owner's authorization, for the registration of the mark in his own name, if the owner opposes the registration applied for, the application shall be refused and the use of the mark shall be prohibited.

### **III. New amendments in the Trademark Law against bad-faith filing**

The new Trademark Law that entered into force on May 1 of 2014 has strengthened the efforts of cracking down on bad-faith filing, specifically as follows:

1. In the General Provisions (Paragraph 1 of Article 7), add the provision of "The application for registration and the use of trademarks shall follow the principle of honesty."
2. Add Paragraph 2 in Article 15: "A trademark that is applied for registration in identical or similar goods with another party's prior used identical or similar trademark shall not be registered, if the applicant is in a contractual or business relationship or other kind of relationship other than provided in the preceding paragraph with the party, thus is fully aware of the party's trademark and that the party opposes the registration applied for."

## Handling Bad Faith Filings in the United States

The principle tools used in the United States to tackle bad faith filings are (1) a statutory duty of good faith filings at the United States Patent and Trademark Office (USPTO), with penalties for fraudulent statements; (2) requirement for proof of use of, or a sworn statement of *bona fide* intent to use, the mark in commerce; (3) a duty of professional conduct for attorneys practicing before the USPTO; and (4) consideration of bad faith as a factor in a likelihood of confusion and dilution analysis. Bad faith may also be addressed through challenges on the grounds of misrepresentation of source under Trademark Act Section 14(3), and refusals or challenges on the basis of a false suggestion of a connection under Trademark Act Section 2(a). Finally, the USPTO has a variety of procedural mechanisms to help fight against registration of bad faith applications, as well as tools to streamline oppositions and cancellations in the event a challenge is filed.

In the application process, trademark applicants are required to provide verified statements, under penalty of perjury, that to the best of the verifier's knowledge and belief the facts recited in the application are accurate, that the verifier believes the applicant to be the owner of the mark (or if based on an intent to use, believes the applicant to be entitled to use the mark in commerce), and that no one else, to the best of his or her knowledge and belief, has the right to use the mark in commerce, either in the identical form or in such near resemblance as to be likely, when applied to the goods or services of the other person, to cause confusion or mistake, or to deceive. Where an applicant knowingly makes a false, material representation with the intent to deceive the USPTO, the applicant's application may be challenged on the basis of fraud and the applicant may be subject to possible criminal penalties.

In the United States, a trademark applicant must either show "use in commerce" or have a "bona fide intention to use" the mark in commerce. Section 45 of the Trademark Act defines "use in commerce" to mean "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." A bona fide intention means that an applicant has a "good faith" intention to use the mark in commerce. Thus, either method of registration requires good faith. Requirements of use or intention to use are designed to create more economic efficiencies for consumers and businesses by preventing applicants from unfairly reserving a large number of potential marks with no real intention to use them. Evidence of actual use, in the form of examples of the mark used on or in connection with the goods or services must be submitted, or alternatively, a sworn statement of bona fide intent to use. An examiner will not evaluate the good faith of an applicant during examination and will not make an inquiry unless evidence of record clearly indicates that the applicant does not have a bona fide intention to use the mark in commerce. A third party may challenge an applicant's intention to use. If challenged by a third party, a bona fide intention to use can be established by providing a business plan, sample products, market research, manufacturing activities, promotional activities, steps to acquire distributors, or performing other initial business activities.

In trademark litigation both in federal courts and before the USPTO's Trademark Trial and Appeal Board (TTAB), the U.S. Federal Rules of Civil Procedure (FRCP) impose an ethical duty of candor and reasonable inquiry for those parties or attorneys filing documents to the federal courts, including in trademark cases. The Rules governing registration practice before the USPTO contain similar requirements. If an attorney or unrepresented person files a document with a federal court or the TTAB, that person is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances: 1) that the filings aren't presented for an improper purpose, 2) that the contentions in the filing are warranted by existing facts or circumstances and are non-frivolous, 3) that the contentions have or are likely to have evidentiary support, and 4) that any denials are reasonably based on lack of information or belief. If the ethical duty is violated, the attorney may be subject to monetary sanctions in a federal court. And as previously mentioned, the USPTO has additional rules for professional conduct for attorneys practicing before the office. The USPTO's Office of Enrollment and Discipline administers the various penalties if an attorney is found to have violated the rules of conduct.

Although bad faith does not by itself constitute an independent basis upon which to oppose or cancel a registration before the TTAB, bad faith form a key part of opposition or cancellation proceedings based upon allegations of fraud, false association, misrepresentation of source. If alleged, bad faith may also be a key factor in TTAB proceedings claiming a likelihood of confusion or dilution. It plays a similar role as well in court litigation concerning likelihood of confusion or dilution under sections 32 (infringement of a registered mark), 43(a)(1)(A) (infringement of an unregistered mark), 43(c) (dilution), and 43(d) (cybersquatting) of the U.S. Trademark Act. The burden of proof to establish these claims, and any related assertion of bad faith, is on the party asserting the claim. While there is no defined list of conditions that determine bad faith, bad faith may be inferred from circumstantial evidence. Courts and the TTAB draw inferences from all of the surrounding circumstances, such as, but not limited to, whether the defendant was aware of the plaintiff's mark when it selected its mark; the degree of similarity of the respective marks; evidence of any copying or imitation of the plaintiff's mark, packaging formats or design elements; any prior business or employment relationship with the plaintiff; and the credibility of the defendant's explanation of the resemblances in the marks or packaging.

In a likelihood of confusion or dilution analysis, the TTAB or a court will weigh a number of factors, including the bad faith intent, fame (how well-known the mark is in the United States to the relevant sector of the public), and similarities of the marks and goods or services. A finding of bad faith intent is given great weight. Some courts have held that a finding of bad faith creates a "presumption" that confusion is likely, *i.e.*, it is presumed that the applicant or registrant intended to cause confusion and that they were successful. Other courts have held that intent creates an "inference" that consumers are likely to be confused, and still others will simply give this factor great weight in a likelihood of confusion analysis. The flexibility in having

a non-exhaustive list of factors for likelihood of confusion allows the Board or court to balance the factors and use a sliding scale in application: for example, the more evidence of bad faith, the less evidence is needed for establishing similarities in the goods or services and the fame of a mark. In any event, as a practical matter, evidence of bad faith requires the accused party to produce more persuasive evidence than ordinarily would be required to prove that confusion is unlikely.

Bad faith may also be addressed through challenges on the grounds of misrepresentation of source under section 14(3) of the U.S. Trademark Act, and refusals or challenges on the basis of a false suggestion of a connection under section 2(a) of the Act. In order to challenge on the grounds of misrepresentation of source, a party may petition to cancel a registration of a mark if the mark is being used by, or with the permission of, the respondent so as to misrepresent the source of the goods or services on or in connection with which the mark is used, regardless of whether the petitioner has used its mark in the United States. The petitioner must show that respondent took steps to deliberately pass off its goods as those of petitioner. *E.g., Bayer Consumer Care AG v. Belmora LLC*, 110 USPQ2d 1623, 1632 (TTAB 2014)

A mark may be refused by the USPTO or challenged under the U.S. Trademark Act on the basis that the mark falsely suggests a connection with a person, living or dead, or institutions. To establish a false connection, it must be proven that (1) the mark sought is the same as or a close approximation of the name or identity previously used by another person or institution; (2) the mark would be recognized as such, in that it points uniquely and unmistakably to that person or institution; (3) the person or institution identified in the mark is not connected with the goods sold or services performed by applicant under the mark; and (4) the fame or reputation of the named person or institution is of such a nature that a connection with such person or institution would be presumed when applicant's mark is used on its good and/or services. *E.g., Buffett v. Chi-Chi's, Inc.*, 226 USPQ 428, 429 (TTAB 1985)

Finally, the USPTO has the following procedural mechanisms used to help identify and refuse applications made in bad faith, as well as tools to streamline oppositions and cancellations in the event a challenge is filed:

*Requirement of a showing of bona fide use in commerce to maintain registration:* A registrant must file specimens showing use of a mark in commerce by the sixth year of registration, and at every ten years following registration. If a registrant cannot demonstrate use in commerce, the registration will be cancelled.

*Requirement for consent of a living individual in order to register his or her name:* The USPTO requires the written consent of a living individual to the registration of his or her name, signature or portrait. This

protects persons from the bad faith registration of the designations that identify him or her by unauthorized parties, and protects the rights of privacy and publicity that living persons have in their names, signatures, and portraits.

*Suspension of the application process based on a pending relevant TTAB or court proceeding:* The USPTO allows for suspension of a pending application based on a pending relevant TTAB or court proceeding. This process allows a good faith applicant to initiate a proceeding against a bad faith blocking application or registration without losing the priority date associated with its application. It prevents the “true owner” from having to appeal a refusal before the proceeding against the bad faith party has been resolved. It also increases judicial efficiency since the issues will be tried only once.

*Default judgments:* Default judgments are issued when no answer is filed in response to notice of a suit within the specified time. Default judgments prevent bad faith filers from avoiding the legal consequences of their actions by simply refusing to participate in a legal proceeding, and expedite termination of proceedings, thereby conserving judicial resources and reducing costs for parties.

*Consolidation of cases in TTAB and court proceedings:* The TTAB may consolidate multiple related opposition and/or cancellation proceedings into a single proceeding. U.S. courts have a similar power to consolidate related court cases. This procedure may be used when cases involve a common question of law or fact because it increases the efficiency of the courts and significantly lowers the legal costs of the parties, including parties fighting multiple bad faith filings.

*Application of a market-based analysis by examiners and judges to determine the relatedness of goods or services in a likelihood of confusion analysis:* A market-based analysis of the goods or services considers evidence of the trade channels, marketing practices, and target consumers of the respective goods or services to determine whether there is a likelihood of confusion. Use of a market-based analysis of the goods or services in a likelihood of confusion action helps to control bad faith registrations by preventing a competitor from filing a blocking registration in a directly competing product line as well as in a product line within a competitor’s logical field of expansion.

*Letter of Protest Filed with the USPTO:* A letter of protest is an informal procedure, in which third parties may bring to the attention of the USPTO evidence bearing on the registrability of a mark prior to registration. If accepted, the evidence is forwarded to the examiner for consideration. The evidence must relate to issues that can be prosecuted to a legal conclusion by the examiner in the course of *ex parte* examination. Even though bad faith or fraud are not independent grounds for refusal or letter of protest, depending on the nature of the evidence it may be relevant to other grounds of refusal.