



Study Question

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Sarah MATHESON, Reporter General
Jonathan P. OSHA and Anne Marie VERSCHUUR, Deputy Reporters General
Yusuke INUI, Ari LAAKKONEN and Ralph NACK, Assistants to the Reporter General

Bad faith trademarks

Responsible Reporter: Anne Marie VERSCHUUR

National/Regional Group	United Kingdom
Contributors name(s)	Paul HARRIS, Joanne GIBBS, Claire LAZENBY, Roland MALLINSON, Thomas BRADFIELD, Thomas BRAZIER and Adrian DYKES.
e-Mail contact	secretary@aippi.org.uk

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).

Yes

Please Explain

Yes, this is one of the situations which has been found to constitute bad faith under div 3(6) TMA.

At the outset, it is helpful to set out some general principles applicable to bad faith in the UK because they pervade the answers to the questions that follow. Section 3(6) of the Trade Marks Act 1994 (the "**TMA**") provides, as an absolute ground of opposition, that "*a trade mark shall not be registered if or to the extent that the application is made in bad faith*". Pursuant to div 47(1) TMA, trade marks can be invalidated if they have been registered in breach of div 3(6). The TMA does not define the concept of bad faith, nor does it provide any examples of what may constitute bad faith. Accordingly, the law of bad faith in the UK has been developed, incrementally, through case law.

For the purposes of answering this question, we have assumed that the jurisdiction in which Party A has applied to register the mark is the UK. However, it is necessary to distinguish between the situation in which Party B has used the sign in the UK (whether or not it has also used the sign in other jurisdictions) and the situation in which Party B has only used the sign outside the UK.

We note that Party B may also be able to oppose Party A's application under div 5(4)(a) TMA which provides that the law of passing off is a basis for an opposition or invalidate it pursuant to div 47(2)(b) which provides that trade marks can be invalidated if there are earlier passing off rights. Passing off protects the goodwill in a business which has been built up through use of a trade mark in the UK, regardless of whether or not that mark is registered. Party B may also be able to oppose or invalidate Party A's application under div 5 TMA on the basis that the sign Party B is using is a well-known mark or invalidate it pursuant to div 47(2)(a). We do not address either of these possibilities any further in the following discussion.

Use by Party B inside the UK

An analogous scenario was considered by the Court of Justice of the European Union (" **CJEU**") in *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* (Case C-529/07; 11 June 2009; ECLI:EU:C:2009:361) (referred to hereafter as "**Lindt**"), in the context of a preliminary ruling on a reference from an Austrian court in the course of national infringement and invalidity proceedings. At issue was whether a 3D trade mark for the shape of a chocolate bunny should be declared invalid where the applicant was aware of other users of identical or similar marks for identical or similar products on the market. The CJEU answered the referring court's specific questions as follows:

"...in order to determine whether the applicant is acting in bad faith within the meaning of Article 51(1)(b) of Regulation No 40/94, 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 trade mark, 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."*

The CJEU also made the following observations regarding additional factors which may be taken into account when assessing cases concerning the registration of a mark where there are other users of it on the market:

- (a) the knowledge of the applicant may arise from the collective knowledge of the relevant economic sector and can be inferred from the duration of use by the third party (the more longstanding the use, the more likely that knowledge will be inferred);
- (b) knowledge on the part of the applicant is not, in itself, sufficient to establish that the application was made in bad faith;
- (c) consideration must be given to the intention of the applicant at the time of filing. The applicant's intention is a subjective factor which must be determined by reference to the objective circumstances of the particular case;
- (d) the intention of the applicant will be particularly relevant if it becomes apparent that the applicant did not intend to use the mark, and filed it solely to prevent a third party from entering the market (because the mark will not fulfil its essential function of identifying origin);
- (e) despite the applicant's knowledge of other users of the mark, the applicant may still have a legitimate objective in filing the mark, such as where a new entrant to the market is trying to take advantage of the sign, or where the extent of the reputation of the sign justifies securing wider legal protection; and
- (f) the nature of the mark applied for may be relevant if the sign consists of the entire shape and presentation of a product and the effect of the application is to prevent competing products from entering the market.

In *Simca Europe v OHIM* (Case T-327/12; 8 May 2014; ECLI:EU:T:2014:240) the General Court of the European Union (the "**General Court**") confirmed, as is suggested by the additional factors listed in the CJEU's judgment, that the three factors set out in the CJEU's answer to the referring court's specific questions in *Lindt* are not exhaustive.

Prior to the decision in *Lindt*, a similar factual scenario was considered in the UK by Mr Justice Arnold in *Hotel Cipriani v Cipriani* [2012] EWHC 3032 (Ch). In this case, the defendant asked the Court to find that the claimant had applied for a mark in bad faith on the basis that *"any party who seeks to take exclusively for himself a trade name which he knows he shares with others is acting in bad faith"*. This claim was rejected. The court emphasised the following factors in reaching its decision:

- (a) an applicant is presumed to have acted in good faith unless the contrary is proved. Cogent evidence is required due to the seriousness of the allegation;
- (b) the Community trade mark system operates on a first-to-file basis, subject to the exceptions provided by the ability to object to applications on relative grounds and bad faith;
- (c) contractual or pre-contractual relations between the parties is a relevant, but not a necessary, factor for an application to have been made in bad faith;
- (d) the protection afforded to a trade mark is not absolute, there are various exceptions to the monopoly granted, such as where there is prima facie infringement, but the infringing party has a defence, such as consent or acquiescence; and

(e) the applicant may believe he has a superior right to the registration and use of the mark, such as where he has passing off rights, even where he is aware of the use of the mark by third parties.

The *Lindt* decision was given in between the first instance judgment summarised above and the appeal in this case. The Court of Appeal, in upholding the first instance decision on this point, summarised the CJEU's guidance in *Lindt* as follows:

"Attention is to be focussed on the position at the time of the application for registration, and the intention and state of mind of the applicant at that time, although they are subjective factors, are to be determined by reference to the objective circumstances of the particular case... The court regarded it as relevant that a third party had long used a sign for an identical or similar product capable of being confused with the mark applied for, and that that sign enjoyed some degree of legal protection. In such a case the applicant's aim in obtaining registration might be to compete unfairly with a competitor who is using a sign which had gained some degree of legal protection. The court also regarded it as relevant that the registered mark consisted of the entire shape and presentation of the product, that being restricted for technical or commercial reasons (in respect of which it no doubt had in mind, for example, the essential shape of a rabbit or a hare), so that the registration, if valid, would prevent competitors not only from using a particular sign but also from marketing similar products at all" (*Hotel Cipriani v Cipriani* [2010] EWCA Civ 110, at 52).

In *Socks World International Ltd Trade Mark Application* [2011] RPC 11, the Appointed Person characterised the judgment in *Lindt* as providing guidance at a "...high level of generality as to what factors may be taken into account in determining whether an applicant was acting in bad faith..." and requiring "...that the national court take all the circumstances into account, without indicating the priority to be given to which circumstances".

Accordingly, it is clear that, where Party B's prior use took place in the UK, it is open to Party B to take action against Party A's application or registration on the basis of bad faith. However, whether or not such allegation will be successful will depend upon a multi-factorial assessment of all relevant factors.

Use by Party B outside the UK only

Section 3(6) TMA is based upon Article 3(2)(d) of the Trade Marks Directive 2008/95 (the "**Directive**"). Article 3 sets out numerous mandatory and optional absolute grounds for refusal or invalidity. Article 3(2)(d) was an optional ground which the UK chose to transpose into national law. Article 4 similarly sets out numerous mandatory and optional relative grounds for refusal or invalidity. One of the optional grounds for invalidity is Article 4(4)(g), which provides that a mark may be refused or invalidated on the basis that: "*the trade mark is liable to be confused with a mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith*". The UK has not transposed Article 4(4)(g) into national law (*Unilever v Technopharma O-532-14*, at paragraph 51).

This raises the question as to whether Article 4(4)(g) must have been implemented in UK law in order for a foreign business, which has no trade mark protection or goodwill in the UK (and therefore would not be able to prevent use of the mark applied for), to be able to oppose an application or invalidate a registration on the basis of bad faith, or whether they may nevertheless do so under div 3(6).

This question was first discussed in *DAAWAT Trade Mark* [2003] RPC 11, which concerned an application for invalidity where the registered proprietor had applied for a mark: (a) with knowledge of the applicant's use of the mark in India prior to the date of application of the same mark; (b) with reasonable grounds to believe that the applicant intended to enter the UK market; and (c) in order to take unfair advantage of its knowledge of the applicant's plans.

The Appointed Person held that the difference between Article 3(2)(d) and Article 4(4)(g) is that the former is concerned with the effects of trading activities within the UK, whereas the latter offers "*domestic redress for harm in the form of a likelihood of foreign confusion*" and, accordingly, concluded that the "*non-implementation of Article 4(4)(g) appears to confirm that Parliament intended to create no extra protection for foreign interests*". However, the Appointed Person went on to conclude that the concept of "bad faith" under div 3(6) was broad enough to encompass the circumstances of the case and found that the application was invalid on the basis of bad faith. This conclusion implies that Article 4(4)(g) is a sub-set of Article 3(2)(g) and that, if a Member State has implemented Article 3(2)(g), there is no need to additionally implement Article 4(4)(g).

The Appointed Person in *AJIT WEEKLY Trade Mark* [2006] RPC 25 did not address this question, but the case is a further example of foreign interests being recognised as a sufficient basis to support an application for bad faith under div 3(6). In this case, a mark was found to have been applied for in bad faith pursuant to div 3(6) where the registered proprietor had applied for it when he had knowledge that: (a) the applicant for invalidity used a similar mark for newspapers in the Punjab; (b) such use of the mark would be widely known amongst the UK's Punjabi community; and (c) use of the registration would result in confusion and deception to the detriment of the applicant for invalidity and would stop it from being able to sell its newspapers in the UK. This was despite the fact that the applicant for invalidity sold a very small number of its newspapers in the UK and, accordingly, did not have any goodwill or other enforceable rights in the UK.

The CJEU has not considered the overlap between Articles 3(2)(d) and 4(4)(g) of the Directive, but in the *Malaysia Dairy* case (Case C-320/12; 27 June 2013; ECLI:EU:C:2013:435), it gave guidance regarding the scope of Article 4(4)(g). The CJEU held that the fact that an applicant knows or should know that a third party is using a sign abroad is not sufficient, by itself, to establish that the applicant was acting in bad faith. The Court held that consideration must also be given to the applicant's intention at the time of filing.

In 2014, the question was revisited in the UK in *Unilever v Technopharma O-532-14*, in which the Appointed Person suggested that *DAAWAT* may no longer be good law on this point, in the light of the decisions of the CJEU in *Lindt* and *Malaysia Dairy*. The Appointed Person held that, although the applicant had been aware of the prior foreign use, following *Malaysia Dairy*, this is not sufficient for a finding of bad faith and the other evidence in the case did not establish that the applicant had otherwise acted improperly or dishonestly. Accordingly, the Appointed

Person did not need to decide the question to dispose of the case and so the position remains unclear in the UK.

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

Yes

Please Explain

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

Please Explain

- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for similar goods or services

Please Explain

- 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

Please Explain

- 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

Please Explain

- 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)

Please Explain

- the degree of legal protection enjoyed by Party B

Please Explain

- other

Please Explain

- a. Party A intends to prevent Party B from entering the market (*Lindt*, at paragraph 44);
- b. Party A intends to 'hijack' the trade mark for financial gain, although this factor is not sufficient, by itself, to establish bad faith (*Carrols Corp v OHIM*; Case T-291/09; 1 February 2012; ECLI:EU:T:2012:39, at paragraphs 88-89);
- c. the origin of the word or sign which forms the mark in issue (*Simca Europe v OHIM*; Case T-327/12; 8 May 2014; ECLI:EU:T:2014:240, at paragraph 39); and
- d. the nature of the mark applied for may be relevant if the sign consists of the entire shape and presentation of a product and the effect of Party A's application is to prevent competing products from entering the market (*Lindt*, at paragraph 50).

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.

No

Please Explain

The *Lindt* case establishes that the court must take all factors relevant to the specific case into account when making its assessment of bad faith. In *Gromax Plastics v Don & Low Nonwovens* [1999] RPC 367, Lindsay, J, in the High Court warned against establishing bright lines

as to what would and would not constitute bad faith, as follows: “[p]arliament has wisely not attempted to explain in detail what is or is not bad faith in this context; 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”.

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

Please Explain

- whether the earlier sign is well known or enjoys a reputation

Please Explain

- whether there have been formal or informal dealings or contact between Party A and B (such as an agreement, written communication etc.)

Please Explain

- other

Please Explain

- the knowledge of the applicant may arise from the collective knowledge of the relevant economic sector (*Lindt*, at paragraph 39); and
- the knowledge of the applicant can be inferred from the duration of use by the Party B (the more longstanding the use, the more likely knowledge is to be inferred) (*Lindt*, at paragraph 39).

The test for the mental element of bad faith has developed incrementally. As summarised by the Appointed Person in *DAAWAT Trade Mark* [2003] RPC 11, there are three possible options: (i) a subjective standard, whereby Party A would be regarded as acting in bad faith if he did not act in accordance with his own standards of honesty; (ii) an objective standard whereby Party A would be regarded as acting in bad faith if he did not act in accordance with the standards of reasonable and honest people; and (iii) a combined subjective and objective standard whereby Party A would be regarded as acting in bad faith if he did not act in accordance with the standards of reasonable and honest people and he himself realised or should have realised that.

In *Gromax Plasticulture v Don & Low Nonwovens* [1999] RPC 367, at page 379, Mr Justice Lindsay held that bad faith: "... includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined". This statement can be best characterised as an objective test. Similarly, the Appointed Person in *Demon Ale Trade Mark* [2000] RPC 345 applied an objective test, stating that: "...a finding of bad faith may be fully justified even in a case where the applicant sees nothing wrong in his own behaviour" (at page 356). Further, in *DAAWAT*, after reviewing the three possible options, the Appointed Person rejected a purely subjective test and doubted whether the combined test should apply.

In *Harrison's Trade Mark Application* [2004] EWCA Civ 1028, the Court of Appeal endorsed the combined subjective and objective standard, but apparently thought that the test set out in *Gromax*, which it also expressly approved, was a version of the combined test, rather than an objective test. The combined test was subsequently approved in the decisions of the Appointed Person in *AJIT WEEKLY Trade Mark* [2006] RPC 25 and *BRUTT* [2007] RPC 19, in which the test was formulated in the following terms: "[t]he subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question. It must then be decided whether in the light of that knowledge, the defendant's conduct is dishonest judged by ordinary standards of honest people, the defendant's own standards of honesty being irrelevant to the objective element".

In *Lindt*, the CJEU stated that the applicant's intention at the time of filing the application must be taken into consideration in order to determine whether there is bad faith. Further, the applicant's intention is stated to be: "...a subjective factor which must be determined by reference to the objective circumstances of the particular case". As set out above, the Court of Appeal approved the approach of the CJEU in *Hotel Cipriani v Cipriani* [2010] EWCA Civ 110.

The standard set out in *Lindt* does not reflect any of the three standards discussed above, and in particular, it does not reflect the combined subjective and objective standard which had become the standard test in the UK following *BRUTT*. In *Red Bull v Sun Mark* [2012] EWHC 1929, Mr Justice Arnold undertook a review of the law of bad faith in the UK and set out a list of eight general principles which he said were now "fairly well settled", as follows:

- a. the relevant date of assessment is the application date of the trade mark in question;
- a. later evidence is relevant if it casts light backwards as at the application date;
- a. a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith;
- a. bad faith includes not only dishonesty, but also “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined”;
- a. there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties;
- a. in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case;
- a. the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant’s conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant’s own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry; and
- a. consideration must be given to the applicant’s intention. In particular, the applicant’s intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case and, accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

The UK combined subjective and objective standard can be seen at point (g), and the guidance of the CJEU in *Lindt* has been included at point (h). However, it is not yet entirely clear how the applicant’s intention will be factored into the combined subjective and objective standard.

The current practice of the General Court appears to be to apply the test set out in *Lindt* in a way which is very similar to the combined subjective and objective test which has been established in the UK since *BRUTT*. We summarise three such cases, which also illustrate the impact of some of the specific factors listed above as relevant to the assessment of whether Party A had, or should have had knowledge of Party B’s prior use.

In *Simca Europe v OHIM* (Case T-327/12; 8 May 2014; ECLI:EU:T:2014:240) the applicant applied to invalidate a registration for the mark SIMCA in respect of, inter alia, vehicles, on the basis of bad faith. The SIMCA mark had been used by the applicant and its predecessors in title extensively, but use had stopped in the late 1970s. The General Court found that, despite this period of non-use, the mark still enjoyed a reputation in relation to vehicles. The General Court also held that, in the overall assessment of bad faith, it was permissible to take into account the proprietor’s subjective motivation for applying for the mark and what he intended to achieve by applying for the mark. In this respect, the General Court found that the proprietor’s intention had been to free-ride on the continuing reputation of the mark. Accordingly, the registration was held to have been filed in bad faith.

Silicium Espana Laboratories v OHIM (Case T-306/13; 16 June 2015; ECLI:EU:T:2015:382) concerns an application to invalidate a registration for the mark LLRG5 in respect of various goods and services which was filed by a director of the company applying for invalidation. The General Court held that, in the overall assessment of bad faith, the intentions of the applicant can be inferred from objective circumstances and from his specific actions, including the existence of duties of loyalty and integrity arising due to a position of role in a company. The General Court found that the proprietor of the mark, in his capacity of a director, was obliged to act in the company’s best interests and held that the registration had been filed in bad faith.

In *Foodcare v EUIPO* (Case T-456/15; 5 October 2016; ECLI:EU:T:2016:597), the applicant applied to invalidate a registration for the mark T.G.R. ENERGY DRINK which had been registered by a former licensee of a similar mark owned by the applicant. The General Court held that the existence of contractual relations between the parties was a relevant factor to be taken into account in the overall assessment of bad faith. The General Court found that the proprietor’s intention when filing the application had been to circumvent its contractual obligations to make payments to the applicant and held that the registration had been filed in bad faith.

Accordingly, it would appear that the practice of the English Courts and the General Court is converging in this area, but further case law will be required before it becomes clear how the English Courts will factor the applicant’s intention into the combined subjective and objective standard.

6

Is the degree of similarity between the signs relevant? Please explain why in either case.

Yes

Please Explain

Yes, the greater the degree of similarity between the mark applied for by Party A and the mark used by Party B, the greater the weight that this factor will carry in the overall assessment of bad faith.

By way of example, in *Technopharma v Unilever* (O-532-14), the Appointed Person held that one relevant factor in the assessment of bad faith was that the 'NEW YORK FAIR & LOVELY' mark chosen by Technopharma, was not identical to Unilever's 'FAIR & LOVELY' mark, and suggested that identity would be expected if Technopharma had had the intention to take advantage of Unilever's mark. The Appointed Person appears to have been influenced by the fact that the sign used by Party B was not particularly distinctive and so the addition of the words 'NEW YORK' to the same sign by Party A successfully distinguished the signs. On the contrary, in *D1 Spec trade mark* (O-428-16), the Hearing Officer found that the identity of the marks in issue (which were figurative marks which included the words D1 SPEC MOTOR RACING SPORTS), and the business spheres of the applicant and the prior user, was strongly indicative of bad faith, stating that: "[t]he only reason for copying a mark is to take advantage of its reputation and goodwill...".

7

Is the degree of similarity between the goods/services relevant? Please explain why in either case.

Yes

Please Explain

Yes, the greater the degree of similarity between the goods and services contained in Party A's application with those for which Party B uses the mark, the greater the weight that this factor will carry in the overall assessment of bad faith.

Further, div 3(6) TMA provides that "a trade mark shall not be registered if **or to the extent** that the application is made in bad faith" (emphasis added). Similarly, div 47(5) TMA provides that: "[w]here the grounds of invalidity exist in respect of **only some of the goods or services** for which the trade mark is registered, the trade mark shall be declared invalid **as regards those goods or services only**" (emphasis added). Accordingly, the assessment of bad faith under div 3(6) must be made in relation to each of the goods and services listed in the application.

By way of example, in *Ian Adam Trade Mark* [2011] FSR 21, the Appointed Person held that the application was made in bad faith in so far as it covered services such as voice training and coaching for which the recently deceased Ian Adam had been well-known and had goodwill, but the objection did not apply in relation to sporting activities because there was no connection between Ian Adam and those activities. Similarly, as set out above, in *D1 Spec trade mark* (O-428-16), the Hearing Officer found that the identity of both the mark in issue, and the business spheres of the applicant and the prior user, was strongly indicative of bad faith, stating that: "[t]he only reason for copying a mark is to take advantage of its reputation and goodwill...".

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).

No

Please Explain

We understand this question to be asking whether an application for a trade mark by a registered proprietor which is identical or similar to a trade mark (both in terms of the mark and the specification) which that registered proprietor already owns in that jurisdiction can be refused or invalidated if the earlier trade mark would fail to meet applicable genuine use requirements?

In the UK, the answer to this question is no.

Alternatively, this question may be asking: (a) if a mark is revoked for non-use, will a later mark which is identical or similar to the earlier mark (both in terms of the mark and the specification) automatically be revoked for non-use at the same time, even if it has not yet been registered for five years?; and (b) can the filing of a mark by a registered proprietor be refused on the basis that there is already an identical or similar mark (both in terms of the mark and the specification) on the register which is owned by that registered proprietor?

In the UK, the answer to both questions (a) and (b) is no.

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.

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).

No

Please Explain

Section 32(3) TMA provides that: "[t]he application shall state that the trade mark is being used, by the applicant, or with his consent, in relation to those goods and services, or that he has a bona fide intention that it should be so used" and applicants, upon filing an application (Form TM3), are required to sign a declaration to this effect.

The TMA does not provide a timeframe within which the applicant must intend to use the mark. It has been held that "...a possible or contingent intention to use the mark at some future date may suffice. Whether it does suffice will depend upon the circumstances of the case, and in particular whether there are other factors present [such as an attempt to obtain protection for an unregistrable mark or an attempt to block others from registering the mark by repeated applications]" (*Red Bull v Sun Mark* [2013] ETMR 53, at 1202).

If an applicant makes a false declaration that it intends to use the mark, this may be challenged, either in opposition proceedings, or in invalidity proceedings, on the basis of bad faith under div 3(6) (*DEMON ALE Trade Mark* [2000] RPC 345, at 356). Such a challenge may be against all or part of the specification of the mark (*Knoll AG's Trade Mark* [2003] RPC 10). Where a challenge is made against part of a specification which is crafted in general terms, due to the serious nature of an allegation of bad faith, it is incumbent upon the person making the allegation to identify the narrower specification which he says should have been filed (*Jaguar Land Rover v Bombardier* [2016] EWHC 3266 (Ch), at 51).

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 faith ¹⁶ under your Group's current law? If so, what conduct and how is it denoted, ie as "bad faith" or something else?

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

Overly broad and/or vague specifications:

The practice of the UKIPO used to be to raise objections under div 3(6) where an applicant had applied for a very broad specification, or one which contained terms which were vague, on the basis that the applicant cannot possess an intention to use everything contained in the specification. In 2006, the practice of the UKIPO changed so that it now refers to Rule 8(2) of the Trade Marks Rules 2008 (which substantially re-enacts the previous rule under the Trade Mark Rules 2000), which provides that every application "*shall specify the goods or services which are appropriate to the class and they shall be described in such a way as to indicate clearly the nature of those goods or services and to allow them to be classified in the classes of the Nice Classification*" (Practice Amendment Notice PAC5/06).

As such, the UKIPO no longer explicitly refers to div 3(6) TMA, but the UKIPO's Manual of Trade Marks Practice makes it clear that the question the Examiner has to ask him or herself is the same, i.e. whether "*...this mark is being used (or is there a definite intention to use) in relation to all the goods and/or services of this application?*" (UKIPO Manual of Trade Marks Practice, Classification Desk Instruction 2.14 to 2.16).

Section 60 TMA:

Section 60 TMA provides that, where an application for registration of a trade mark is made by in the name of a person who is an agent or representative of a person who is the proprietor of the mark: (i) if the proprietor opposes the application, it shall be refused; or (ii) if the application is registered, the proprietor may apply for a declaration of invalidity or for his name to be substituted as the registered proprietor of the mark. Although this div does not specifically refer to bad faith, in *TRAVELPRO Trade Mark* [1997] RPC 864, in which a claim under div 60 and div 3(6) were pleaded in the alternative, the Hearing Officer upheld a claim for rectification of the register under div 60 and found, although he did not need to decide the point, that the application to invalidate the mark for bad faith under div 3(6) would also have been successful.

Breach of a director's fiduciary duties:

In *Ball v The Eden Project Limited* [2002] FSR 43, the High Court held that, where a director registers a mark which is used by his company in his own name, this will be a breach of his fiduciary duties as a director. The court ordered that the director should assign the trade mark to the company and that the trade mark register should be rectified accordingly.

Applications for the names of famous individuals:

The UKIPO Manual of Trade Marks Practice suggests that applications to register the names of famous individuals or recently deceased individuals or members of the Royal Family may have objections raised against them by the Examiner on bad faith grounds under div 3(6) TMA, particularly where the specification of the application covers goods and services with which the famous individual is associated (UKIPO Manual of Trade Marks Practice, The Examination Guide: Famous Names, at page 126 and Royal Marks, at page 205). This ability to bring a claim for bad faith is in addition to the specific provisions of divs 3(5) and 4(1) TMA which protect the Royal Family's names, representations, crowns, insignia, endorsements, royal warrants, for which no finding of bad faith is needed (UKIPO Manual of Trade Marks Practice, at pages 200-207).

Type of proceedings

15 In which proceedings can the grounds, insofar 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

Please Explain

- opposition proceedings (before the trademark/IP office)

Please Explain

- a cancellation action (before the trademark/IP office)

Please Explain

- court proceedings concerning a bad faith application

Please Explain

- court proceedings concerning a bad faith registration

Please Explain

II. Policy considerations and proposals for improvements of your current law

6.a

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

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

Please tick or fill in only the applicable box. If you select "yes", please explain.

Yes

Please Explain

The relationship between Article 4(4)(g) and Article 3(2)(g) of the Directive should be clarified. In particular, the question whether Article 4(4)(g) is a subset of Article 3(2)(g) such that, if a Member State has implemented the former, there is no need to implement the latter, or whether the two articles are mutually exclusive should be resolved. If the two articles were held to be mutually exclusive, that would mean that the UK should no longer refuse applications or invalidate registrations on the basis of bad faith due to prior use of the mark by a third party where such use has taken place only outside the UK.

6.b

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

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

Please tick or fill in only the applicable box. If you select "yes", please explain.

No

Please Explain

Although the answer to this question is 'no', and our answer to question 8 was that it is not possible to take action against refiled trade marks on the grounds of bad faith in the UK (because the true purpose of the application is to avoid revocation on the basis of non-use), there have been some recent case law developments in this area, both in the UK and the EU.

In the EU, the possibility that refiled trade marks may be subject to challenge on the basis of bad faith appears to have been accepted by the General Court in *pelicantravel.com v OHIM* (Case T-136/11, 13 December 2012, ECLI:EU:T:2012:689). In that case, the marks were considered to be 'identical' when considered through the eyes of the average consumer, but this was found not to be sufficient, by itself, to establish bad faith. Further, the applicant for invalidity's evidence did not overcome the plausible reasons suggested for the refiling, namely that the later mark was a modernised version of the earlier mark and that the specification of the later mark was wider, which may have reflected a change of commercial policy on the part of the registered proprietor.

In *Kabelplus v Groupe Canal+* (R-1260/2013-2, 13 February 2014), the Second Board of Appeal of the EUIPO found that, where an earlier mark had been refiled, and where a registered proprietor relies on the later mark in order to oppose a third party's marks, that mark can be made subject to proof of use requirements, despite having been registered for less than five years (and so not being vulnerable to revocation for non-use). The Board of Appeal stated that a refiling strategy: "...can serve to improperly and fraudulently extend the five-year grace period indefinitely to evade the legal obligation of genuine use and the corresponding sanctions...". The Board of Appeal went on to formulate a 'triple identity' test: that the mark, the specification and the territory of the earlier and later marks must be identical in order for the later mark to be made subject to proof of use. The requirement for identity of the specifications of the marks may be partial but the later mark will only be subject to proof of use to the extent that it overlaps with the specification of the earlier mark.

Whilst there are no examples of UK cases in which either refiled trade marks have been found to be invalid on the basis of bad faith (although in *Ferrero's Trade Marks* [2004] ROC 29, the "period of time over which the applications had been made" was a factor which contributed to a finding of bad faith where numerous applications had been made over time), or refiled trade marks have been made subject to proof of use requirements, these arguments have started to be raised in UK proceedings, and entertained, even if they have not yet been successful on the facts (*BRITANNIA Trade Mark*, O-048-15).

6.c

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

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.

Please tick or fill in only the applicable box. If you select "yes", please explain.

No

Please Explain

The answer to this question is 'no' because the UK permits such actions, which we consider to be helpful in discouraging applicants from overreaching when filing applications. However, we note that there is an outstanding question of UK law whether div 32(3) TMA, pursuant to which applicants must have an intention to use the mark in question, is compatible with EU law, as there is no such requirement in the Directive (*Psytech v EUIPO*, Case T-507/08, 7 June 2011, ECLI:EU:T:2011:253). As Mr Justice Arnold stated in *Red Bull v Sun Mark* [2012] EWHC 1929 (Ch), at 160 and 194), this is a question which raises "important and difficult issues of European law" and will require the guidance of the CJEU to determine.

6.c

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

The possibility of taking action against other conduct as described in your response to question 14) above.

Please tick or fill in only the applicable box. If you select "yes", please explain.

No

Please Explain

17

Are there any other policy considerations and/or proposals for improvement to your current law falling within the scope of this Study Question?

No.

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.

Yes

Please Explain

Yes, our general view is that harmonisation is desirable, but not if it is at the expense of reducing the ability of opponents and applicants for invalidity to rely on bad faith, when compared to the current situation in the UK.

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

Please Explain

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).

Yes

Please Explain

Yes, it should be possible to take action both where Party B is using the sign in the UK and where it is using the sign only outside the UK. As set out in the answer to question 1, in the UK it is possible to take action on the basis of bad faith where there is use in the UK, but there is a question mark about whether it is possible to take action outside of the UK. We consider that this question should be resolved to enable action to be taken where the sign is used only outside the UK.

Whilst it is acknowledged that allowing such action would erode the 'first-to-file' principle, we consider such erosion to be justified because such action enables brand owners to enter the marketplace and test their products or services, without having to make a large up-front investment in registered trade mark protection and setting time running on the five year period in which trade marks must be used, when the potential geographical market for the good or service has not yet been assessed. However, use outside the UK should not, by itself, be sufficient for a finding bad faith; it should be one factor which is taken into account as part of the multi-factorial assessment of bad faith.

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

Please Explain

- Party A knows, or should reasonably be aware, of use of an identical or similar sign abroad for similar goods or services

Please Explain

- 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

Please Explain

- 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

Please Explain

- 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)

Please Explain

- the degree of legal protection enjoyed by Party B's sign and the sign used by party A

Please Explain

- other

Please Explain

As set out in our answer to question 3 above.

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?

The assessment should always take the specific circumstances of the case into account.

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

Please Explain

- whether the earlier sign is well known or enjoys a reputation

Please Explain

- whether there have been formal or informal dealings or contact between Party A and B (such as an agreement, written communication etc.)

Please Explain

- other

Please Explain

As set out in our answer to question 5 above.

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

Yes

Please Explain

Yes, because the degree of similarity between the signs can be seen as a proxy for the intention of the Party A to take unfair advantage of, or ride on the coattails of the reputation and/or goodwill built up by Party B.

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

Yes

Please Explain

Yes, for the same reasons as the degree of similarity between the signs is relevant, i.e. that the degree of similarity between the goods/services can be seen as a proxy for the intention of the Party A to take unfair advantage of, or ride on the coattails of the reputation

and/or goodwill built up by Party B.

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).

No

Please Explain

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.

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.

No. It is implicit in the requirement for an applicant to have an intention to use, that such intention must exist as at the date of application. The more difficult questions are how concrete such an intention to use must be and when must the applicant intend to actually commence use. Although there is always the possibility to revoke marks for non-use once five years from the date of registration has elapsed, the purpose of being able to oppose and, in particular, invalidate, marks for lack of intention to use is to enable third parties to 'clear the way' before five years have elapsed.

Accordingly, the key question is how concrete the intention must be. In the UK, this bar is currently set at a very low level, with a possible or contingent intention being sufficient, absent other factors which indicate bad faith. This means that it is only where marks have not been used and there is evidence to suggest that the applicant had an ulterior motive (such as preventing others from entering the market or filing for a very wide specification in order to obtain a broader scope of protection than is warranted) in filing the mark that actions for bad faith based on a lack of intention to use will be successful. If this bar were to be raised, actions based on lack of intention to use could be used more widely to remove redundant marks from the register, before the five year revocation period had expired.

Other

30 Should any other conduct in respect of trademarks, as an independent ground for action, amount to bad faith ¹⁷? If yes, please explain.

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

None in addition to those listed under 'other' in our answer to question 14 above.

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

Please Explain

- opposition proceedings (before the trademark/IP office)

Please Explain

- a cancellation action (before the trademark/IP office)

Please Explain

- court proceedings concerning a bad faith application

Please Explain

- court proceedings concerning a bad faith registration

Please Explain

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.

We do not have any additional comments.

Please indicate which industry sector views are included in part "III. Proposals of harmonization" on this form:

Please enter the name of your nominee for Study Committee representative for this Question (see Rule 12.8, Regulations of AIPPI). Study Committee leadership is chosen from amongst the nominated Study Committee representatives. Thus, persons not nominated as a Study Committee representative cannot be in the Study Committee leadership.

Paul Harris