



## Study Question

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### Bad faith trademarks

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#### 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

The Intellectual Property Code of the Philippines (“**Phi IP Code**”) does not consider as registrable a mark that is “identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be **well-known internationally** and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services” (Section 123.1(e)).

Also, the IPOPHL has refused registrations of marks when it is established that the bad faith applicant is not the real and true owner of the mark. The “First-to-File” rule that is the norm in the Philippines yields as it cannot be used to commit or perpetrate an unjust and unfair claim.

Further, the Phi IP Code provides that a trademark whose registration was obtained fraudulently may be cancelled (Section 151.1(b)).

**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

While an application for the registration of a mark may be opposed on the ground that it is identical with, or confusingly similar to, an internationally well-known mark and/or an existing trademark registration may be sought to be cancelled on the ground that the registration was fraudulently obtained, the burden of proof lies on the aggrieved party. Thus, it is not incumbent upon Party A to show that he is acting in good faith.

It may be apropos to state here that since in the set of facts given in no. 1), Party B's mark is not registered in the Philippines, the situation cannot arise where Party A will be presumed to be acting on bad faith. It would be different if Party B's mark is registered here and the word "Registered" or the symbol R within a circle (®) is displayed. Here, Party A will be presumed to have knowledge of Party B's registration.

**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

No, the assessment often take the specific circumstances of the case into account.

In the case of internationally well-known marks, the Phil IP Code provides that "account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines, which (knowledge) has been obtained as a result of the promotion of the mark" (Section 123.1(e)).

In a line of cases, the Philippine Supreme Court took into account the specific circumstances of each case to arrive at the conclusion that a party acted in bad faith in securing a registration for a mark that is already used or registered in other jurisdictions.

In *Pagasa Industrial Corporation vs. Court of Appeals* (G.R. No. L-54158, 31 of August 1984), the Supreme Court ruled that the 1968 registration of a Filipino entrepreneur the "YKK" mark should be cancelled in favour of the 1961 registration of Yoshida, the real Japanese owner, of the same mark. The Supreme Court concluded that the Filipino entrepreneur acted in bad faith when it sought to register the "YKK" mark despite knowing that the mark belonged to Yoshida. The Supreme Court noted that the Filipino entrepreneur and Yoshida visited each other's zipper manufacturing facilities in the Philippines and Japan, respectively, and even explored the prospects of a business partnership.

In *Shangri-La International Hotel Management Ltd. vs. Developers Group of Companies* (G.R. No. 159938, 31 March 2006), the Supreme Court cancelled an existing registration of a local Chinese restaurant to the "Shangri-La" mark and "S" logo, issued in 1983, upon the petition

of an international hotel conglomerate which did not register in the Philippines, but has been using since 1975, the same mark and logo. The Supreme Court considered the circumstances that showed the local Chinese restaurant owner's bad faith:

*When a trademark copycat adopts the word portion of another's trademark as his own, there may still be some doubt that the adoption is intentional. But if he copies not only the word but also the word's exact font and lettering style and in addition, he copies also the logo portion of the trademark, the slightest doubt vanishes. It is then replaced by the certainty that the adoption was deliberate, malicious and in bad faith.*

*It is truly difficult to understand why, of the millions of terms and combination of letters and designs available, the respondent had to choose exactly the same mark and logo as that of the petitioners, if there was no intent to take advantage of the goodwill of petitioners' mark and logo.*

The local Chinese restaurant owner also admitted to having been aware of the Shangri-La hotels abroad, particularly the Shangri-La at Kowloon, Hong Kong where he had visited.

In *Sehwani vs. In-N-Out Burger, Inc.* (G.R. No. 171053, 15 October 2007), the Supreme Court explained that "no one other than the owner of the well-known mark shall reap the fruits of an honestly established goodwill". Thus, also in *Shangri-La*, the Supreme Court held that "priority is of no avail to the bad faith plaintiff. Good faith is required in order to ensure that a second user may not merely take advantage of the goodwill established by the true owner."

In *Shangri-La*, the Supreme Court also ruled that a trademark registration "does not confer upon the registrant an absolute right to the registered mark. The certificate of registration is merely a *prima facie* proof that the registrant is the owner of the registered mark or trade name. Evidence of prior and continuous use of the mark or trade name by another can overcome the presumptive ownership of the registrant and may very well entitle the former to be declared owner in an appropriate case."

In *Birkenstock Orthopaedie GMBH vs. Philippine Shoe Expo Marketing Corporation* (G.R. No. 194307; 20 November 2013), the Supreme Court also upheld the prior right of German corporation Birkenstock over the "Birkenstock" mark and device even if the German corporation did not register the mark and device in its name in the Philippines and a Philippine corporation had a 1993 registration over the same mark and device. The Supreme Court found the German corporation as the true and lawful owner of the mark "BIRKENSTOCK" and entitled to its registration and that the Philippine corporation was in bad faith in having its registered in its name. Birkenstock, obviously of German origin, is a highly distinct and arbitrary mark. To come up with a highly distinct and uncommon mark previously appropriated by another, for use in the same line of business, and without any plausible explanation is incredible.

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

Any situation or circumstance that may indicate that Party A knew or should know that Party B's mark exists should be considered in deciding the case.

6

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

Yes

Please Explain

The Phl IP Code requires that for the registration of Party A's mark to be successfully opposed by Party B or cancelled upon Party B's instance, Party A's mark "should be identical with, or confusingly similar to, or constitutes a translation of Party B's mark which is considered by the competent authority of the Philippines (i.e., Intellectual Property Office of the Philippines) to be well-known internationally and in the Philippines, whether or not it is registered" in the Philippines.

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

Yes

Please Explain

Generally, yes. But in the case of a well-known mark, Section 147.2 of the Phl IP Code extends protection even to goods or services not similar to those in respect of which the well-known mark is registered in the Philippines.

## 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

Nothing in the Phl IP Code prohibits a trademark owner from undertaking a repeat filing for a mark previously refused registration or removed from the registry for failure to comply with the requirement to submit proof of actual use of the mark in the Philippines or non-use:

- a. Within three years from the filing date of the application for registration of the mark;
- b. Within one year from the fifth anniversary of the registration of the mark.

In evaluating applications for trademark registration, the Intellectual Property Office does not consider the history of the mark as long as there would be no double registration of the mark.

**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

The applicant must have intent to use.

The intent to use should then ripen to actual use. Proof of actual use must be submitted within the two periods provided by law (within three years from the filing of the application and within one year from the fifth anniversary of the registration). Failure to file the proof of actual use will result in the refusal or cancellation of the trademark registration by operation of law.

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

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

A good example of a bad faith application is that of a distributor who applies/registers the mark covering the goods he distributes, knowing that the mark belongs to his principal.

The failure of the trademark applicant to explain the choice of a similar mark is considered as an indication of bad faith. For example, in a case where the trademark applicant sought the registration of the mark "Universal Converse and Device" for shoes and was unable to explain the choice of "Converse" which is an internationally well-known mark also for shoes, the Supreme Court ruled that there was bad faith on the part of the trademark applicant for "Universal Converse and Device" (*Converse Rubber Corp. vs. Universal Rubber Products*, G.R. No. L-27906, 8 January 1987).

## 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 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

This would extend protection to marks that do not meet the standard of being well-known.

**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

**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.*

Yes

Please Explain

The whimsical filing of an application without intent to use should be expressly prohibited.

**6.d** 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?

That bad faith marks be clearly defined in the PHL IP Code and provide for their treatment such as specifying cases where bad faith filings may be presumed or that the burden of proof be shifted to the "bad faith" filer to show that he filed in good faith.

## 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

This would be in keeping with globalization and the ideal of establishing predictability in what constitutes bad faith and its treatment.

**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.*

Yes; such would increase the level of legal certainty

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

The Phl IP Code neither allows nor contemplates the maintenance of a trademark registration that was fraudulently obtained.

**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

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Please Explain

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

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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

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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

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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)

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Please Explain

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

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Please Explain

**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 take the specific circumstances of the case into account. Each of the factors named may be sufficient on their own.

**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

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Please Explain

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

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Please Explain

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

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Please Explain

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

Yes

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Please Explain

It is only reasonable and appropriate that the "bad faith" mark appear identical to, or confusingly similar with, the internationally well-known but unregistered mark or strong mark.

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

Yes

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Please Explain



YES, generally. But in the case of well-known marks, the protection under the PhI IP Code extends even to goods/services that are not similar. Dilution may also be a consideration.

## 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).*

Yes

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.*

- the degree of overlap between the goods/services

Please Explain

- whether or not the signs are identical

Please Explain

- if the signs are different, the degree of difference

Please Explain

- absence or presence of intent to use

Please Explain

- other

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

In general, each of these factors are relevant only insofar as they show the good faith of the filer, that is, a genuine intent to use the mark.

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

NO.

## 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. The Phl IP Code already provides a time frame to convert the intent to use to actual use.

### Other

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

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

This study question already covers the basic types of conduct constituting bad faith marks.

### 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*

- 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 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.

No further comment.

**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.

MR. JOAQUIN V. SAYOC