In this article, we will address the topic of 'bad faith' applications in the field of trademarks; considering the significance of the problem; how such applications may be dealt with; and strategies for risk prevention, across multiple jurisdictions.

Common bad faith trademark applications across jurisdictions include the following:

- Pre-emptive filing of a trademark where the prior user does not have a registered right in the relevant jurisdiction, particularly in order to trade using the prior user's goodwill;
- Filing an application for a trademark that is confusingly similar to a famous trademark, but for different goods and/or services, with the objective of taking unfair advantage of the owner of the trademark's goodwill, or as a strategy against the owner taking action to stop sellers of products using lookalike branding and/or packaging;
- Filing applications for multiple trademarks without any intention to use such trademarks, perhaps in order to block a prior user from market entry, or in order to negotiate payment of a licence fee or a fee for an assignment of rights;
- Applications made for a brand by the relevant entity's agent or representative; and
- Offensive filings such as applications filed by current, former, or soon to be former, business partners or employees known to the trademark owner, to use registered rights against the rightful owner as a negotiating tactic or to gain an upper hand in a dispute.

When faced with a bad faith trademark application, a rights holder will need to consider the impact and any courses of action in light of the law of the relevant jurisdiction, in order to determine how to deal with such an application.
It is important for brand owners to know where risks lie, and how they can protect their trademark rights and brand reputation, securing the ability to do business using such trademarks and branding in different countries.

**United Kingdom**

'Bad faith' is not defined in the UK Trade Marks Act 1994 ("TMA") or Directive 2008/95/EC (the Trade Mark Directive”). However, in Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd [1999] RPC, Lindsay J identified some of the elements of bad faith: 'dishonesty', and 'dealings which fall short of the standard of acceptable commercial behaviour'.

When applying for a UK trademark, the applicant must make a statement to the effect that the trademark is being used by the applicant, or with his/her consent, in relation to those goods or services, or that he/she has a bona fide intention that it should be so used (s.32(3) TMA). Consequently, where an applicant makes an application (i) in which the applicant has no intention to use the mark (DEMON ALE Trade Mark [2000] RPC), (ii) which is broader in scope than the intended use of the mark (Ferrero SpA's Trade Marks [2004] RPC 29), or (iii) in order to block others from making use of the mark (HTC Corp v One Max Ltd (O/486/17)), a bad faith application may be found.

A UK application in bad faith may be raised:

- During the two-month opposition period (extendable to three months) (s.3(6) TMA);
- During proceedings pursuant to a declaration of invalidity (s.47 TMA); or
- As a countersuit to allegations of acquiescence (s.48(1) TMA).

In contrast to the TMA, Regulation (EU) 2017/1001 does not contain a provision corresponding to s.32(3) TMA (i.e. a bona fide intention to use the provision).

In Lindt v Hauswith [2009] IPQ 229, the ECJ held that to assess bad faith, the national courts must consider all relevant factors at the time of filing the application for registration, in particular:

i. The applicant's knowledge of a third party using an identical/similar sign for identical/similar products capable of being confused with the sign for which registration is sought, in an EU member state;

ii. The applicant's intention to prevent that third party from continuing to use such a sign; and

iii. The degree of legal protection enjoyed by the third party's sign and the sign for which
registration is sought. It was also held that if it is evident that an application was filed to prevent a third party from entering the market, consideration should be given to the applicant's intention.

In the UK, there is no prescribed form or level of evidence required to succeed in an allegation of bad faith; each case turns on its own facts. However, evidence pertaining to the applicant's intention, dishonesty, or behaviour, falling short of the standard of acceptable commercial behaviour, may be sufficient in securing a favourable judgment for the opponent.

In the EU, bad faith is an absolute ground for invalidity and is not relevant in opposition proceedings. Evidentiary requirements are dependent on an overall assessment of the case, however, the most relevant factors are:

- The bad faith mark must be identical or confusingly similar to that of the intervener's mark;
- The bad faith mark owner knew or must have known about the use of the intervener's mark;
  - The longer the use, the more likely the knowledge element is imputed.
  - Where the bad faith mark owner seeks to artificially extend its 5 year grace period of non-use through repeated filing for earlier marks, the knowledge element is not required.
- The bad faith mark owner's dishonest intention in relation to filing an application with a view to, for example:
  - Capitalising on a third party's reputation; or
  - Preventing a third party from entering the market.

In Sky PLC v Skykick International AG [2018] EWHC 155 (Ch), Sky alleged infringement of its trademarks. Skykick denied the allegations and counterclaimed that Sky's trademarks were wholly or partly invalid, on the grounds of bad faith in their entirety, or alternatively, to the extent that the trademarks comprised of specifications which Sky had no intention to use.

On the facts, Arnold J concluded that although Sky was making use of some goods and services, and intended to do so with others, there remained some specifications for which Sky had no reasonable commercial rationale to seek registration.

Having concluded that Sky's s.32 (3) TMA statement was partly false, Arnold J made a reference to the CJEU as to whether this constitutes bad faith:
3. Can it constitute bad faith to apply to register a trademark without any intention to use it in relation to the specified goods or services?

4. If the answer to question (3) is yes, is it possible to conclude that the applicant made the application partly in good faith, and partly in bad faith if the applicant had an intention to use the trademark in relation to some of the specified goods or services, but no intention to use the trademark in relation to other specified goods or services?

5. Is s.32 (3) of the TMA compatible with the Trade Mark Directive and its predecessors?

As stated above, intention to use is not a requirement in the EUTM system. The current EUIPO’s Guidelines for Examination of European Trade Marks say that where bad faith is established, the whole of the EUTM is invalidated. Although the Trade Mark Directive is silent regarding intention to use, recital nine states "it is essential to require that registered trademarks must actually be used or, if not used, [be] subject to revocation" in order to reduce the number of registered trademarks and consequently, the number of arising conflicts.

In order to protect commercial interests and minimise the ability of third parties to challenge an application, the following should be considered:

- Familiarity with the law and jurisdiction in which the business is operating. For example the EU allows for a broad range of goods to be filed and bases assessment on genuine use, whereas the UK operates a narrower structure and requires an intention to use;
- Building a trademark portfolio that reflects the business and its intended or prospective short to mid-term plans;
- Recording and storing strategic documents that demonstrate the commercial case underpinning an application for a particular class of goods and services; and
- Performing regular audits of the business and its trademarks.

As the law currently stands in the UK, a business has to balance the responsibility of future-proofing against an intention to use. Where the applicant is able to demonstrate such an intention in relation to the relevant goods and services, or establish a commercial case for the specifications chosen, bad faith application claims generally fail.

**Germany**

Bad faith trademark applications can pose a significant issue in Germany, particularly as the threshold for proving bad faith is traditionally high. The amount of German case-law on
bad faith is limited. Most bad faith applicants are not large companies, but individuals pursuing such applications for illegitimate reasons in order to derive personal gain.

An absolute ground for refusal to register

Bad faith cannot be invoked in opposition proceedings, but constitutes an absolute ground for refusal to register. According to Section 8(2) No. 10 of the German Trademark Act ("TMA"), trademarks applied for in bad faith shall not be registered.

The absolute ground for refusal can become relevant at different stages:

- **During application proceedings** - The German Patents and Trademarks Office ("DPMA") examines absolute grounds for refusal ex officio during the examination procedure. According to Section 37(3) TMA, an application shall be refused based on bad faith only if there is supporting evidence. But critically, the DPMA can consider information supplied by third parties.
- **Cancellation on request** - According to Section 50(1) TMA, trademark registration shall be cancelled on request if it has been applied for in bad faith. In contrast to the DPMA’s actions, the trademark in dispute will undergo a detailed evaluation taking into consideration all circumstances of the case. It is required, but also sufficient, that bad faith existed at the time of the application of the mark; more recent developments do not impact the assessment.
- **Revocation** - According to Section 50(3) TMA, the registration of a trademark may be cancelled ex officio if it has been applied for in bad faith and if (cumulatively):
  - cancellation proceedings are initiated within two years of the date of registration;
  - the registration has been made in contravention of the provisions listed in Section 8(2), Nos. 4-9:
    - the trademark is of such a nature to mislead the public, in particular with regard to the nature, the quality or the geographical origin of the goods or services,
    - the trademark is contrary to public policy or to accepted principles of morality,
    - the trademark contains state coats of arms, state flags or other sovereign state symbols or coats of arms of a domestic locality or of a domestic municipal or other local authority association,
    - the trademark contains official certification marks or hallmarks which are excluded from registration as a trademark in accordance with a notice made by the Federal Ministry of Justice in the Federal Law Gazette (BGBl),
    - the trademark contains coats of arms, flags or other symbols, seals or
designations of international intergovernmental organisations which are excluded from registration as a trademark in accordance with a notice made by the BGBI.

The use of the trademark can evidently be prohibited in the public interest in accordance with other regulations. Note that on 14 January 2019, Germany introduced a procedure for revocation or declaration of invalidity based on Art. 45 of Directive (EU) 2015/2436.

Circumstances establishing bad faith

German courts have developed a non-exhaustive list of situations where bad faith can be assumed:

- **Domestic prior use by third parties** - The fact that a third party uses the unregistered sign at the time of application of a trademark does not establish bad faith, even if the applicant must have been aware of this prior use. Special circumstances are required, e.g. if the prior use has established a legal right capable of protection and the applicant, aware of it, applies for an identical or similar mark without a justifiable reason, in order to disrupt the prior legal right or block the use of the earlier trademark.

  In a 2012 case, the German Federal Patent Court confirmed the denial of registration of trademark "Hop on Hop off" in class 39 (organisation of trips and excursions, city tours). The court ruled that the applicant’s willingness to use the trademark did not exclude bad faith: "The decisive factor is the intention to obstruct, which results from the objective overall circumstances, in particular from the behaviour before and after the application. An intention to obstruct use in an abusive manner is obvious if the applicant knows or must know the competitor’s intention to use the trademark and knows or must know that the trademark is used or required to describe a good or service in trade."

- **Prior use and reputation abroad** - Prior use by a third party abroad can establish bad faith if there is a reputation abroad leading to a certain degree of recognition in Germany, which is known to the applicant itself. Mere knowledge of prior use abroad is insufficient if the applicant is not aware that the owner of the foreign trademark intends to use the sign in Germany. It is, however, sufficient that the applicant’s knowledge is reasonably probable and that the intention to use the mark in Germany was obvious due to customs in the industry, e.g. launch of fashion products which are particularly successful in the US as well as in Europe.

  Speculative marks can establish bad faith: in 2009, the German Federal Court of
Justice ruled on a case where an individual had registered a German mark identical to a drug brand, which the relevant pharmaceutical company had failed to register in Germany and only used abroad. The court ruled that if a trademark "is not intended to be used, but only registered in the hope that the other party may also need the mark in Germany in the future in order to expand its business, the applicant is acting in bad faith and contrary to honest practices in trade and commerce".

Case C-529/07 (Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH) was brought before the CJEU. Swiss manufacturer Lindt & Sprüngli had registered a three-dimensional EU trademark for a gold-coloured chocolate bunny in a seated position, wearing a red ribbon around its neck with a bell and the words 'Lindt GOLDHASE' on its hind legs.

It subsequently commenced infringement proceedings against the Austrian company, Franz Hauswirth GmbH ("Hauswirth"). Hauswirth's chocolate bunnies, sold since 1962, were also in a seated position, wrapped in gold foil and usually featured a ribbon, but not a bell.

The CJEU stated that account must be taken of all the relevant factors specific to the particular case at the time of filing the application for registration of the sign, in particular:

- 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;
- the applicant's intention to prevent that third party from continuing to use such a sign; and
- the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought.

According to the CJEU, the fact that an applicant knows or must know that a third party has been using an identical or similar mark which could be confused with the applicant's mark, over a long period of time, is insufficient to show bad faith. The applicant's intention at the time it made the application (a subjective factor determined by reference to the objective circumstances of the case) must be taken into account. The CJEU held that an intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith, e.g. where an applicant
applies for a Community trademark without intending to use it, the sole objective being to prevent third parties from entering the market.

- **Applications in order to impair rights owners** - Even without the third party's use in Germany or abroad, there may be bad faith if the application is made to achieve unjustified benefits. For example, applications to block the rights owner from the German market in order to sell product imitations; systematic applications for a series of marks identical or similar to those of a foreign company in order to keep them away from the domestic market; applications to force distribution rights; obtain licensing advantages; force the renewal of contracts; combat former contractual partners, etc.

- **Applications in relation to trademark disputes** - In certain situations, bad faith can exist in marks acquired by a party from an uninvolved third party, in order to improve its position in a trademark dispute. The acquisition from the third party is not harmful, but further circumstances, in particular the subsequent exercise of these rights, can establish bad faith.

**Establishing bad faith**

To the extent the DPMA assesses bad faith, the DPMA does so ex officio, but can take into account arguments submitted by third parties.

In cancellation proceedings initiated by third parties (where no legitimate interest is required), while the DPMA still investigates the facts ex officio, the burden of establishing the existence of the absolute ground for refusal at the time of registration lies with the party who filed for cancellation.

**Singapore**

Bad faith should not be solely relied upon as a basis for challenging trademark rights in Singapore.

Generally, the courts are reluctant to find bad faith unless the facts of the case clearly justify it. The overriding view is that an allegation of bad faith is a serious one that must be specifically alleged and sufficiently supported by evidence. This can objectively pose a problem to those who want to challenge trademark rights in situations where other grounds may not be viable under the circumstances. Nonetheless, bad faith is a ground that is commonly pleaded in trademark opposition proceedings, in a bid to strengthen the opponent's case.
The basis for such a challenge is set out in Section 7(6) of the Singapore Trade Marks Act (Cap. 332) (the "Act"), which states that a trademark shall not be registered if, or to the extent that, the application is made in bad faith. In the context of cancellation, revocation and challenges to the validity of registered trademarks, Section 23(8) of the Act states that in deciding whether the registration of a (later) trademark was applied for in bad faith, it shall be relevant to consider whether the (later) applicant had, at the time the application was made, knowledge of, or reason to know of, the earlier trademark.

Practically, the legal test for determining the existence of bad faith may be gleaned from Valentino Globe BV v Pacific Rim Industries Inc. [2010] SGCA 14, in which the Singapore Court of Appeal held that the test contains both a subjective element (i.e. what the particular applicant knows) and an objective element (i.e. what ordinary persons adopting proper standards would think). Essentially the assessment is whether, in light of the circumstances, the party’s conduct in applying for the trademark fell below the accepted standards of commercial behaviour, and whether the party's particular knowledge would have made an ordinary person think that the conduct indeed fell below those standards. Hence, apart from actual dishonesty, bad faith would also encompass commercially unacceptable behaviour, even though such conduct is not strictly illegal. Should the case of bad faith be successfully made, the applicant bears the burden of disproving any element of bad faith. Furthermore, once bad faith has been established, the application in question must be refused, even if use of the mark would not cause any confusion amongst the relevant public.

Recent case law has usefully illustrated the relevant factors in determining a claim of bad faith. In Lim Ching Kwang v Audi AG [2017] SGIPOS 2, Audi claimed that Lim's specification under the application to protect the mark in question was overwhelmingly broad because it reproduced the entire list of goods in Class 12 in the Nice Classification, alleging that there could not be a bona fide intention to use the mark for all those goods. On the facts of the case, the challenge on the ground of bad faith failed. It was held legitimate for an application to encompass both present and intended uses of a mark, and applying for a wider specification of goods does not impute dishonesty in commercial dealings. The tribunal did note that a lack of intention to use a mark for all the goods claimed can constitute bad faith, given that the application form incorporates a declaration of actual or bona fide intention to use the mark. However, given the lack of evidence of unconscionable conduct or moral impropriety on Lim’s part, it was held that the high standard of proof needed to establish bad faith had not been met.

MMC International Services v Abercrombie & Fitch Europe SAGL [2016] SGIPOS 06 reaffirmed that the failure to explain the derivation of a mark would lead to the inevitable
conclusion of copying, which constitutes bad faith. On the facts, there was a resemblance between the application mark in question (for goods in Class 9) and Abercrombie & Fitch's 'moose device'. However, because MMC declined to explain its choice for the particular depiction of its mark, there was held to be bad faith, taking into account factors like MMC's possible knowledge of the opponent, the striking similarity of the marks, and the potential expansion route of clothing retailers.

Recently, Guccio Gucci S.p.A. v Guccitech Industries (Private Ltd) [2018] SGIPOS 1 enforced the high evidential bar needed to succeed in proving bad faith. Guccio Gucci S.p.A., the owner of globally-renowned brand "GUCCI", opposed the application for the mark in question in Class 11 on grounds including bad faith. Notwithstanding the applicant's knowledge of the opponent's trademark(s), it was held that the application was "not so unreasonable as to justify a finding of bad faith". The adjudicator took the view that the applicant had "gambled on how the law and the facts would be interpreted, as does any business that uses in whole or in part another's trademark". He went further to state that "it would have been stupid" for the applicant to have filed the application in bad faith, and on the facts there was "no evidence before [him] from which [he] can impute stupidity".

Ultimately, a quote from the decision in Starbucks Corporation v Morinaga Nyugyo Kabushiki Kaisha [2017] SGIPOS 18 is instructive: "Even if the Applicant has actual or constructive knowledge of the Opponent's trademarks, business, and products, it does not necessarily follow that the application was made in bad faith. [...] an allegation of bad faith simply on account of the alleged reputation, fame, or goodwill enjoyed by the Opponent cannot be sustained."

Although objectively overt trademark applications filed in bad faith are currently not as common in Singapore as in other jurisdictions, it would be wise for owners of registered trademarks to ensure that they continue to use their marks in relation to the goods and services for which they are protected. Such use will enable them to establish common law rights locally and fortify their registered rights so that they are in a good position to defend their rights against any trademark applications filed in bad faith, if the need should arise.

**China**

Dealing with bad faith trademark applications remains particularly problematic in China, where trademark law adopts the "first to file" principle - meaning that exclusive rights are granted to the entity that applies to register a trademark first. Very sophisticated global names have had issues such as Apple, Tesla, Pfizer and Michael Jordan.
Despite "bad faith" applications being such a problem in China, the Trademark Law of the People's Republic of China (as amended up to 30 August 2013) (the "Law") contains no definite interpretation of "bad faith"; however, grounds for claims against various bad faith filings are found across different Articles of the Law. The following Articles could be cited to oppose or invalidate a bad faith application:

- Article 7 on the general principle of good faith;
- Article 10(7) on deceptive registrations that are likely to mislead the public, and Article 10(8) on signs having negative influences;
- Article 13 on the well-known status of a trademark holder in China prior to the filing date of the mark in question, enabling a request for 'well-known trademark' protection;
- Article 15 on pre-emptive filing in its own name by an agent or representative of a client without authorisation, where the business relationship or intention to cooperate was established prior to the filing date of the disputed mark
- Article 32 on infringing an existing prior right other than a trademark, which may include a trade name right, copyright etc.; and also Article 32 on illegitimately registering a trademark that has had prior use, where the mark has attained a 'certain influence' amongst Chinese consumers in respect of the goods or services in question; and
- Article 44 on registrations obtained by "fraudulent or other illegitimate means".

Oppositions and invalidations are the most common methods used to tackle bad faith filings. Opposition actions are usually commenced within three months of the application being published for opposition purposes in the Chinese Trademark Gazette. An invalidation request can be filed after the mark is registered and there is a five-year deadline in relation to such proceedings. Evidence, not only of bad faith but also 'well-known' status prior to the filing date of the mark in question, is required if it has been registered for more than five years.

To succeed in an opposition or invalidation action, evidence collection is important. Several quick methods of online checks would assist to find preliminary bad faith evidence, such as conducting a proprietorship search against the applicant, to find out if the issue is one of a large number of filings; or conducting an online search against the applicant to ascertain whether there is a counterfeiting issue. For some cases, an in-depth investigation against the applicant is necessary to discover evidence that is not immediately available from standard public sources. Evidence notarisation arranged by a notary public may also be required.

It is a common occurrence in China that a trademark squatter will file numerous
applications, without an intention to use in relation to marks being obviously identical or similar to a third party's marks, such as pre-emptive filings of foreign brands or numerous filings of different famous brands. It is worth highlighting, in particular, those cases described as the 'filing of a large number of trademarks without the intention of use'. Such registrations are prohibited by Article 44 of the Law (i.e. the registration is obtained by fraudulent or other illegitimate means).

For example, Guangzhou Hong Gu Supply Chain applied for trademark No. 10000941 "Rachel Zoe RZ" in Class 5 in 2011. Rachel Zoe, Inc. filed an opposition action against the mark on the grounds of violating Article 32 of the Law in relation to a prior right. The opposition was upheld by the Chinese Trademark Office ("CTMO"). Guangzhou Hong Gu Supply Chain appealed this decision with the Trademark Review and Adjudication Board ("TRAB") and the Court, but both appeals failed. However, it is noteworthy that the TRAB did not consider that the mark violated a prior tradename right but found the trademark applicant had filed around 300 trademarks which were identical or similar to other brands with strong distinctiveness or a strong reputation. Thus, the TRAB decided the mass registrations constituted "fraudulent or other illegitimate means". This was against the public interest and such registration should be prohibited. Effectively, it was an application made in bad faith.

Apart from large-scale trademark squatting, typical bad faith filings concern the commercial relationship between the legitimate right holder and the squatter. Fu Jian Ji Ma Company registered trademark No. 6406082 "BRANE-CANTENAC, [ its transliteration]" in Class 33 in 2010. SOCIETE VITICOLE HENRI LURTON, a French wine company, filed invalidation requests against the mark in 2014. The invalidation was rejected by the TRAB on the grounds that the evidence submitted was either not independent or failed to prove a relationship between the applicants; the evidence also failed to prove SOCIETE VITICOLE HENRI LURTON's fame prior to the filing date of the disputed mark.

However, the French company found and submitted additional evidence which was upheld by the Court and as a result, the mark was successfully invalidated. The Court affirmed that the later evidence proved the commercial relationship between Fu Jian Ji Ma Company and the French company. Thus, Fu Jian Ji Ma Company was deemed to constitute an "agent" as per the terms of distribution under Article 15 of the Law: "Where an agent or a representative, registers the trademark of its principal in its own name without authorisation, and the entrusting party raises an objection, the trademark shall not be registered and the use of such a trademark shall be prohibited".
Alongside opposition and invalidation actions, trademark owners should consider non-use cancellation actions and/or purchasing marks under cover companies, as back-up options. It usually takes around one year for the CTMO and the TRAB to render decisions on opposition actions. A potential purchase should be considered in order to secure a right at an early stage, especially when a key mark has been registered in bad faith.

To prevent the ability of a squatter to file in bad faith, trademark owners should consider filing key marks as early and as broadly as possible. Some companies in China are now adopting the strategy of filing their key marks in all classes to minimise the risk of bad faith filings. However, care must be taken with such an approach as marks will become vulnerable to non-use cancellation after three years.

**Canada**

Trademark applications filed in bad faith have been an issue in Canada for some time, although the use of such applications is not particularly rampant at present. Canada has seen its share of applications filed for goods and services where the owner does not intend to use the mark applied for, as well as instances of applications covering broad goods and services descriptions with the sole intent of benefitting from the success of famous brands. With the anticipated advent of changes to the Trade-marks Act (R.S.C., 1985, c. T-13) (the "Act"), likely in early 2019, we may see further bad faith applications filed. There is some concern that the removal of the requirement to file a declaration that the trademark applied for is in use in Canada, prior to receiving registration, will lead to increases in trademark squatting - though the Government of Canada has announced plans for preventative measures.

A bad faith trademark application can be opposed on the basis that the application does not meet the formal requirements set out in the Act. Specifically, an opponent can either allege that the applicant did not in fact use the trademark as of the claimed date of first use (if such a date is included in the application) or that the applicant did not intend to use the trademark in association with the goods and/or services for which it is applied. An opponent can also allege that the application does not properly include a statement that the applicant is satisfied that it is entitled to use the trademark in association with such goods and services - even if the statement is included, this ground of opposition can succeed if the applicant was in fact not entitled to use the trademark due to knowledge of conflicting third-party rights.

To succeed in an opposition based on bad faith, the Canadian Trademarks Opposition Board (the "Board") currently sets a very high bar. The Board has consistently been
reticent to find bad faith where there is anything but the strongest evidentiary support. Evidence of other cases of bad faith filings, especially where the applicant is shown to have been benefitting from the success of famous brands, is extremely helpful. Extensive patterns of bad faith common law trademark use will also assist. Cross-examining the applicant may also produce relevant testimony with respect to their business plans (or lack thereof), as well as knowledge of the opponent's famous marks prior to filing. In some cases, it may be possible to show that the applicant is not legally entitled to sell the goods and services for regulatory reasons. This may be relevant in, for example, the banking or pharmaceutical sectors where government approval is required prior to entering the market.

One recent example where the Board has found applications filed in bad faith is Bugatti International SA v Bugatti Hotels & Resorts Ltd, 2017 TMOB 60, where the Board refused an application for BUGATTI in association with various hospitality-related services. The opponent, Bugatti International SA, owns BUGATTI in association with cars, and was able to establish that the applicant "intended and expected that its use of the BUGATTI trademark would be perceived and immediately understood by consumers to be the same as [the opponent's] famous BUGATTI trademark". The opponent was able to establish that one of the applicant's board members had been falsely informed that the opponent had consented to registration of the application, and that the applicant had engaged in a pattern of cyber-squatting: registering domain names comprised in part of third-party brands.

In the event that a bad faith application does proceed to registration, affected parties may seek to invalidate the application three years from the date of registration due to non-use (if applicable) through a summary cancellation proceeding. The onus is on the registrant to provide evidence of recent use of the trademark, in association with each good or service listed in the registration. This may be an effective method of eliminating bad faith registrations from the Canadian Trademarks Register (the "Register"), once the three-year waiting period has elapsed.

In the event that the affected party does not want to wait for summary cancellation proceedings to begin, it may also be possible to attempt to purchase the relevant mark, or alternatively, to bring Federal Court proceedings to cancel the registration based on a lack of distinctiveness. This may be a worthwhile option if the registration covers goods and services that are adjacent or overlapping with the affected party's goods and services, and if that party has acquired a significant reputation in Canada through extensive branded sales. It may also be possible to cancel a bad-faith trademark registration if the affected party can show that the registrant made a false statement, or otherwise acted improperly,
in the prosecution of the original application.

It should be noted that the Government of Canada has recently announced a new IP strategy, which will implement new bad faith trademark opposition and invalidation grounds. Legislative amendments will also require a trademark registrant to show use of their mark in Canada in order to enforce the mark against third parties within the first three years of obtaining the registration. Details of these amendments are anticipated to be made public in the coming months.

In order to prevent their marks from being appropriated by 'trademark trolls', trademark owners should review their Canadian trademark portfolios on a regular basis to ensure that all relevant goods and services are covered. In the event of any gaps in protection, it is far less costly to take proactive steps to register marks ahead of time, rather than to commence lengthy, and potentially risky, opposition or litigation proceedings. Further, brand owners may wish to consider retaining Canadian trademark counsel to place a watch on valuable marks, to monitor the Register and marketplace for any potentially problematic uses or applications.

**UAE**

Applications to file trademarks (both local and international) in the UAE by someone other than the true owner can often arise where the high costs of protection in the UAE have meant the true owner has failed to protect their rights.

Whilst trademark protection is expensive, not registering your rights can be a false economy. It is considerably more expensive for the rightful owner to cancel or recover its trademark, or to combat the misappropriated registration being used to challenge the sale of genuine products in the UAE.

However, the issue with Federal Law No. (37) 1992 on Trademarks (as amended) (the "Law"), is that there is no concept of 'bad faith', nor provisions for challenges under 'bad faith' to trademark applications. The only reference to "bad faith" in the Law relates to infringement of rights:

- "Article 37(2): Anyone who has, in bad faith, put on his products a registered trademark owned by another, or used that mark without a right…"

Actions against such applications in Oppositions are usually brought on the basis of a number of areas of the Law, such as:
- Where the mark contravenes public morals or public order (Article 3(2));
- Where the name or emblem of another is used without consent (Article 3(7));
- Where marks deceive the public or contain false representations as to the source, or contain an illusory, copied or false commercial name (Article 3(9));
- Where a famous mark is filed by someone other than the original owner, without authorisation (Article 4).

Any opposition can also rely on appropriate provisions of the Paris Convention.

**Commonly challenged "bad faith" filings**

**Blocking filings**

These are filings by third parties to try to block the rightful trademark owners from doing business, or to try and force the trademark owners to do business through them.

The UAE (and wider region) is largely based on franchises and licensed-in rights.

It is not uncommon for potential local partners to file for the trademark in order to try and ensure that the franchisor partners choose them over other local entities.

In addition, if relations with an existing partner are breaking down, this can result in the local partner filing for applications in order to use these to try and convince the franchisor to stay with them.

For companies looking to enter the region, it is worth putting in place trademark protection for core rights before starting discussions with local partners, in order to minimise the possibility of this happening.

**Offensive filings**

These are filings by current, former, or soon to be former, business partners or entities known to the trademark owner, to use registered rights against the rightful owner as a negotiating tactic.

There have been multiple instances where third parties have secured the registration of another’s trademark and used this registration to threaten or actually file criminal enforcement proceedings against the genuine rights holder, often accompanied by an offer not to file the proceedings if certain financial or other commercial requests are met.

The author successfully defended an action where an international rights holder, who did
not register its own trademark, was threatened with a criminal action brought by a cash-stricken former customer who had registered the trademark. The rightful owner could have faced genuine products being seized and destroyed, with criminal penalties issued, had the case succeeded. The international rights owner successfully cancelled the bad faith registration through the courts, but incurred significant costs and time before the criminal threat was safely removed.

**Defensive filings**

These are filings for lookalike packaging or branding to provide a defensive obstacle against the rightful trademark owner taking action to stop sales of products using the lookalike packaging/branding.

There are no statutory defences to infringement in the law. However, a tactic often adopted by third parties is to seek to register the potentially conflicting trademark/lookalike branding, in order to obtain their own registration. Whilst the law is clear that a registration does not provide "a right to use", in practice, administrative or criminal enforcement officials are unlikely to take or progress action once they realise the defending party has itself obtained a registration.

For example, if an FMCG company became aware of a local competitor using the same or highly similar packaging to its registered rights, and that entity relied on its own registration for the packaging, the enforcement officials would likely stop any work and say it is a matter for the courts.

The officials would leave the earlier rights holder to file a court action to cancel the later registration, and only once cancelled would there be the opportunity to stop the infringing use if it continued at that time.

**Supporting evidence**

Generally the evidence will be the same across the different types of filing:

- Evidence of UAE applications/registrations (if any);
- Evidence of overseas registrations;
- Use of the mark in the UAE and elsewhere;
- Evidence of the relationship with the bad faith filer, if relevant;
- Evidence of the mark being referenced as well-known or famous elsewhere.

For opposition proceedings, such evidence will not need to be legalised, but it will need to be translated if in a language other than Arabic. However, for court proceedings, the
courts will expect the evidence obtained outside of the UAE to be legalised at the UAE Embassy.

Previously, 'Blocking' and 'Offensive'-type registrations were becoming more prevalent yet the only way to cancel was through the courts. Therefore, the UAE Trademark Officials now consider cancellation actions where the trademark was filed "without a right". Officials will expect these actions to be limited to cases where there was a clear relationship between the parties, rather than the Trademarks Office being an alternative route to the courts for all cancellation actions.

Russia

Russia does not recognise bad faith as a specific ground for refusal of an application for registration of a trademark. Moreover, the Russian Patent and Trademark Office ("ROSPATENT"), does not have the jurisdiction to make a finding of bad faith as regards an applicant. In some limited circumstances, this jurisdiction is vested in the court and the Federal Antimonopoly Service ("FAS").

Although bad faith is not a statutory ground for refusing an application, there are other relevant courses of action.

Letters of protest against pending applications

Any person has the right to submit to ROSPATENT a letter of protest, sometimes also referred to as either a petition or third party written observations, against a pending application, submitting that it does not conform to the requirements of Article 1483 of the Russian Civil Code on either absolute or relative grounds, for example:

a. the sign is descriptive or generic;
b. the sign characterises the goods including an indication of their type, quality, quantity, properties, purpose etc.;
c. the sign is or contains elements that are false or capable of misleading consumers; or,
d. the sign is identical or confusingly similar to a registered trademark (or to an application having earlier priority).

The examiner must consider all objections made in the letter of protest but the submitting party will not receive a response, nor will the applicant be given a copy. The examiner has discretion to issue an official action on some or all of the grounds submitted in the letter of protest, or on other grounds, or not to issue any official action.
In practice, the letter of protest serves as an effective and relatively low-cost way to try and block bad faith behaviour. Where a person has no registered trademark in Russia, the letter of protest may be based on the following grounds:

- misleading consumers about the manufacturer of goods/services or its characteristics;
- usage of a company name;
- similarity to copyright works owned by the client, etc.

However, there are cases where a bad faith application meets the registration requirements and the letter of protest do not succeed in blocking it. In Delicato Vineyards, Inc. v. Aleksandrovy Pogreba LLC, Aleksandrovy Pogreba LLC filed a trademark application for "BUCEPHAL" for wines, which ROSPATENT deemed confusingly similar to the unregistered designation for the famous premium wine "BUCEPHALUS". The IP Court said that since the amount of BUCEPHALUS-branded wine sold in Russia was small and the cost was expensive, only a small group of consumers knew the brand. Thus, it was insufficient evidence to refuse registration on misleading consumers, and ROSPATENT, having no statutory grounds on which to base refusal, had to register the mark.

The court noted that the company's actions were likely unfair competition and an abuse of rights, because the company knew about the manufacturer's reputation and wanted to capitalise on its goodwill when entering the market in another price segment. However, these are not statutory grounds that can be relied upon for prosecution by ROSPATENT.

### Invalidation procedures against registered trademarks

If a registered trademark was applied for in bad faith, it is possible to seek cancellation on any of the traditional statutory grounds set out above, or on the basis of an abuse of rights or unfair competition under Article 1512 of the Russian Civil Code.

For an invalidation based on statutory grounds, the first step is to seek cancellation in the Chamber for Patent Disputes (a division of ROSPATENT).

If there has been an abuse of rights or unfair competition then a two-step procedure is required based on Paragraph 6, Item 2, Article 1512 of the Russian Civil Code. First, the court or the FAS should make a finding of an abuse of rights or unfair competition associated with the trademark registration. Then, based on this decision, an interested person should file a cancellation action with the Chamber for Patent Disputes.

The first and most significant case in this area is Vacheron & Constantin S.A. v. Tessir Partners Ltd. Vacheron & Constantin S.A. owns the luxury watch brand of the same name. The adverse company registered the confusingly similar designation, "VACHERON
CONSTANTIN for heterogeneous goods, namely, clothes. Vacheron & Constantin S.A. filed a cancellation action with the Chamber for Patent Disputes. The Chamber for Patent Disputes rejected the cancellation action and the designation remained in force as a trademark for clothes. The Supreme Arbitration Court considered the case in 2012 and invalidated the mark, holding that the company "unfairly took economic advantage of, and traded on the goodwill associated with, the famous brand".

In cases where a trademark is unfairly registered by the rights holder's agents (distributors), the trademark can be more easily cancelled by filing a cancellation request directly with the Chamber for Patent Disputes. The legal basis for the cancellation is Article 6 septies of the Paris Convention and paragraph 5, Item 2, Article 1512 of the Russian Civil Code.

**Protection against other types of bad faith applications**

Many bad faith applications involve squatters, which can be problematic in first-to-file countries.

Squatters usually have no intention of using the mark, but aim to obstruct a legitimate brand owner from carrying on business, forcing them to settle for, usually, a large fee.

Squatters acting in bad faith often simultaneously file pending application(s) for confusingly similar marks and/or acquire identical or confusingly similar registrations from bona fide third parties.

Squatters are usually skilled, and multi-pronged strategies are necessary, including letters of protest against pending applications and court actions or complaints to the FAS, in order to obtain a finding of unfair competition.

**France**

As specified by the European Court of Justice, 'bad faith" is an autonomous concept of European Union law remaining undefined which must be given a uniform interpretation throughout Member States[3].

With regard to France, pursuant to established case-law, a trademark should be qualified as applied for in bad faith when the trademark is diverted from its function by the applicant, or to be more specific, when the sign is not filed as a trademark to distinguish goods and/or services but rather with 'the malicious intent to infringe pre-existing interests or to deprive another party of a sign useful for its activity'[4].
Bad faith registration actions present certain specificities under French law, in particular:

- Bad faith registration claims can be introduced by any party considering that the application has been filed in bad faith and that it has a right in the trademark filed without being required to establish the existence of a prior registered right;

  For instance, bad faith registration claims introduced by an artist whose pseudonym has been filed by a talent manager or a company using an avatar in its promotional campaign and public relations whose name has been filed by a third party.

- They can be initiated on two legal grounds, either alternatively or cumulatively:
  - firstly, according to the general principle of law pursuant to which "fraus omnia corruptit" (fraud corrupts everything);
  - secondly, according to article L.712-6 of the French Code of Intellectual Property (CIP) : 'Where registration has been applied for, either fraudulently with respect to the rights of another person or in violation of a statutory or contractual obligation, any person who believes he has a right in the mark may claim ownership by legal proceedings. Except where the applicant has acted in bad faith, action claiming ownership shall be barred five years after publication of the application for registration'.

- Bad faith registration claims can be raised either as an initial claim or as a counterclaim, exclusively against a registered trademark, within the context of judicial proceedings before competent courts.

As a matter of fact, French trademark law does not provide a party with any preventive measures that would allow it to oppose the registration of a sign filed in bad faith at an earlier stage by initiating proceedings before the French Office of Industrial Property (INPI).

In addition, it should be highlighted that:

- concerning national trademarks, French Courts have exclusive jurisdiction for invalidity proceedings, including to ascertain whether a French trademark has been filed in bad faith;
- concerning European trademarks, the issue of the validity of the registration, including on the ground of bad faith, can only be raised as a counterclaim before Paris Court in its capacity as European trademark court.

- The five years limitation period would, in general, not apply as a sanction of the applicant's bad faith even if the imprescriptibility of trademarks - and more generally
intellectual property rights - invalidity actions may be discussed by legal doctrine.

Although the concept of bad faith has not been defined in European trademark law, the European Court of Justice has specified relevant factors for its assessment\(^8\) that have been regularly applied and outlined by French judges, in particular, bad faith must be assessed:

- on the filing date of the application it being specified that, to this end, later elements or factors can be taken into account\(^9\);
- in concreto, taking into account all relevant factors specific to a case, including:
  a. **whether the applicant knew or should have known the prior use by a third party of an identical or similar sign.**

  Such knowledge can be inferred from:
  i. the applicant's personal knowledge of the business or industry concerned:

    The fact that the applicant is a professional or well-aware of an industry can be held as an indication of actual or deemed knowledge\(^10\).
  ii. the prior contractual relationship between the parties:

    For instance, French judges found that the following was fraudulent:
    - the filing of the name of a book series by the former editor\(^11\);
    - the filing, following the termination of negotiations, of the sign chosen by former business partners\(^12\).
  iii. the prior announcement by the plaintiff of its intention to use and/or register such a sign:

    The filing of a sign by a competitor, following the announcement by another company of its intent to exploit a sign or a brand remaining unregistered, will characterise bad faith\(^13\).

b. **the applicant's intention to prevent that third party from continuing to use this sign.**

In this respect, French Courts may take into account:
  i. the applicant's prior conduct:
For instance, French Courts will especially sanction an applicant that was 'accustomed to applying for trademark registrations of signs previously exploited by such parties, such as Groupon, Google, Fortwo, Bluecar, all of which have been the subject of oppositions or claims by the third parties concerned'.

ii. the applicant's lack of intention to use the sign as a trademark:

In particular, French judges can hold that a sign has not been filed in good faith:
- if the applicant fails to establish a genuine intent to use it as a trademark or where it subsequently turns out that the applicant has registered a trademark without intending to use it;
- if the trademark has been filed to introduce an infringement action or to be opposed to the use of a similar sign by another party, even in another territory:

For instance, in a case involving the company Christian Lacroix, the French Supreme Court held that 'the trademark application had been filed, not to distinguish the goods by identifying their origin but to enable Christian Lacroix to invoke it in the infringement action brought against the Sicis companies' and upheld the Court of Appeal's decision that the application had been made in bad faith.

c. the degree of legal protection enjoyed by the prior sign:

As a result, the fact that a third party has used the prior sign for a long time or was well-known at the time of the filing is likely to establish bad faith.

For instance, in a recent case involving the sign NEYMAR, the judges held that, in 2010 i.e. at the time of the filing, the player already enjoyed a well-established reputation, including in France, and that the applicant's knowledge could be inferred from such fame.

It should be noted that these criteria are illustrative and numerous other factors can be taken into account to assess whether a trademark applicant has acted in bad faith, notably:
- the origin of the sign at issue and of its use since its creation;
- the commercial strategy underlying the filing of that sign as a trademark;
- the chronology of events leading to the filing of the application.
Once the bad faith application is established, the legitimate right holder can request two types of sanctions:

- **firstly**, the cancellation of the trademark filed in bad faith, which is a classic sanction also provided for by European rules;
- **secondly**, the transfer of the trademark filed in bad faith to the rightful owner, which appears to be a sanction more specific to French trademark law.

Such a sanction is of particular interest to the legitimate right holder who can thus obtain the transfer of ownership of an earlier trademark right that can be traced back several years.

However, it should be noted that such transfer cannot be requested for trademarks whose registration has been fraudulently sought that are also illicit, or violate the interest of several parties, for instance all members of a specific industry.

**Conclusion**

Laws relating to 'bad faith' trademark applications vary across different countries, with some legislation having no clear definition of the concept, instead requiring legitimate rights holders to rely on other related provisions in order to protect their trademark rights. Bad faith applications are certainly more prevalent in some countries than others and it would be wise to be familiar with the legal environment in which you operate. Nevertheless, no matter the guise, bad faith applications remain problematic for businesses across jurisdictions.

In order to avoid facing bad faith applications, brand owners should carefully plan ahead, particularly when considering international expansion, and file applications as early as possible. It is best to take preventative measures by registering rights in relevant jurisdictions as early as possible, before speaking with potential local partners, rather than facing lengthy, costly and potentially risky proceedings to deal with bad faith applications later. Always also consider protecting trademarks in additional language(s) within relevant countries, such as in Arabic or Mandarin.

Consequences of non-protection can be seriously detrimental, even potentially preventing a rights holder from doing business using its trademark in a particular jurisdiction, if unable to cancel or successfully oppose an application. Saving or avoiding the cost of trademark filings could actually cost the rights holder the ability of doing business in the relevant
country.

It is best to build a trademark portfolio that reflects your business and its intended plans. Always retain documents or evidence that demonstrates use or an intention to use your trademarks in relation to the relevant goods and services covered by the trademark application (and maintain evidence of potential partners and customers in the relevant jurisdictions). Furthermore, best practice would be to regularly audit your business and trademark portfolio to ensure that all relevant goods and services are covered (and being used). Brand owners may also consider taking appropriate contractual measures to eliminate the risk of departing employees or former contractual partners registering trademarks based on insider knowledge.

Finally, a watch service may be considered as an efficient way to be notified of potential third party filings so that they may be tackled as they arise. Where a bad faith registration exists, brand owners should consider whether they may be able to cancel the mark based on other grounds, like non-use, earlier unregistered rights etc. which may be less burdensome to prove and add leverage for the legitimate rights owner in the overall process.

Footnotes:

[7] Article L.712-6 of the CIP
[9] French Supreme Court, Commercial Chamber, February 3, 2015, n° 13-18025
[10] Paris, Court of Appeal, October 7, 2016, n°16/02229
[12] Court of Appeal of Nancy, April 15, 2014, n°13/00835
[13] Paris Court of First Instance, February 23, 2018, n°16/17537
[14] Paris Court of First Instance, May 12, 2016, n°15/05587
[15] Paris Court of Appeal, October 7, 2016, n°16/02229
[18] Paris, Court of First Instance, May 12, 2016, n°15/05587 See also, involving the famous singer Pharrell Williams, Paris Court of Appeal, September 22, 2017, n°16/11450
[20] For instance, the word Halloween for candy makers and shops (French Supreme Court, September 21, 2005, n°03-12.319)

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