



New Bad Faith Challenges – are they enough to discourage abusive trademark filings?

December 5, 2019

By Cynthia Rowden, Meghan Dillon and Jasmine Godfrey

Among the many recent amendments to Canada's *Trademarks Act* are new provisions that allow for opposition to trademark applications and expungement of registrations on the basis that the application was filed in bad faith. These amendments followed the announcement of the Government's commitment to control abusive filings as part of Canada's National Intellectual Property Strategy. Trademark squatting and crowding of trademark registers have been an international issue for some time. In the years leading up to the implementation of the amendments to the Canadian Act (many of which were originally proposed in 2014), hundreds of applications covering all 45 classes of goods/services were filed in Canada by entities who had no clear business presence in Canada, or anywhere. Such filings highlighted how elimination of use as a pre-requisite to registration could compromise the integrity of the Canadian Register. The new "bad faith" opposition and expungement grounds are designed to provide some recourse against such abuse.

While the Act does not provide a definition of bad faith, the concept has been explored in past Canadian opposition proceedings, specifically in the context of the opposition ground of non-compliance with section 30(i) of the former *Trademarks Act*, and occasionally in addressing the *bona fides* of claims to use or proposed use in Canada (ss. 30(b) and (e) of the former Act). Section 30(i) required an applicant to be satisfied that it was entitled to use the mark, and was remarkably versatile. It could be used to address situations as diverse as claiming that the applicant must have been aware of another's prior rights in a confusingly similar mark, that use of the mark might offend other Federal laws, and that adoption and use of the mark involved "bad faith".

The most frequently cited "bad faith" opposition decisions involve Robert Marcon, a serial filer who applied for many famous marks, such as CHANEL, NESTLE, EVIAN, TIM HORTON'S, BAYER and HEINEKEN, for the most part covering goods other than those for which the famous marks were registered and known. Several of the applications were approved by the Canadian Intellectual Property Office (CIPO), presumably based on the differences in goods/services and possible channels of trade, and were then opposed by the owners of these famous marks. Without exception, the oppositions succeeded, and Marcon's remaining applications were all eventually abandoned or refused by CIPO during examination.

A detailed analysis of what might constitute bad faith is found in *Cerverceria Modelo, S.A. de C.V. v Marco*, 2008 TMOB 131, involving the CORONA mark, filed for various beverages including coolers containing distilled spirits. The grounds of opposition included confusion grounds, and the opponent specifically put forward the relevance of Mr. Marcon's pattern of filing, by raising non-compliance with section 30 (i), stating that the applicant did not "have a belief that he was entitled to use given that in and about the time he filed the application he also filed a number of other applications for trade-marks which are well known both in Canada and worldwide and are the subject of existing trade-mark registrations in Canada" Mr. Marcon filed evidence and, in cross-examination admitted he was well aware of the opponent's marks and that his proposed goods could be sold in similar channels of trade.

Although unaware of any caselaw describing "bad faith" in the context of s. 30(i), Hearing Officer Folz noted: Mr. Marcon had filed for many other well-known marks; none of these marks were in use; and Mr. Marcon admitted he had no plans to put these marks into use or even make further plans to commence use until the oppositions were resolved. The Hearing Officer questioned "how any reasonable person would be satisfied" that they were entitled to file for so many famous marks, and described this as "attempting to coat-tail on the established reputation of so many well-known marks".



The opponent unsuccessfully alleged that the absence of clear plans to put the mark into use supported another ground of opposition based on “no intent to use” the mark. The opponent noted that the applicant had not prepared business plans, secured a manufacturer or developed mockup labels for any of the products, had not made plans to use the marks (apparently out of fear that the marks would be opposed) and had no prior experience in marketing any of the goods. The Hearing Officer dismissed this ground, saying that such factors, alone, were insufficient to support the opponent’s initial onus to show no intent to use the CORONA mark. However, in other jurisdictions similar lack of any concrete plans of use have been accepted as evidence of bad faith.

Subsequent Canadian cases have considered other scenarios that could lead to a finding of bad faith, including the following:

- Filing several applications on the same day for well-known private label brands owned by the three major grocery stores operating in the same region as the applicant (*Julia Wine Inc. v Les Marques Metro, S.E.N.C.*, 2016 FC 738);
- The applicant was a former licensee of, or had a pre-existing business relationship with, the trademark owner (*Empire Comfort Systems, Inc. v Onward Multi-Corp.*, 2015 TMOB 80 and *Levis v Golubev*, 2019 TMOB 100);
- The applicant has formerly had negotiations with the trademark owner to try to establish a business relationship (*USA PRO IN Limited v Courtaulds Textiles America, Inc.*, 2018 TMOB 90); and
- The applicant had a history of filing domain names including other brands (*Bugatti International SA v Bugatti Hotels & Resorts Ltd.*, 2017 TMOB 60).

The amendments to the *Trademarks Act* implemented in 2019 removed both filing grounds and the s. 30(i) requirement of an applicant to state that it is satisfied of its entitlement to use the mark. However, a *precondition* to filing is that the applicant must be using or propose to use, and be entitled to use, the mark in Canada, and opposition grounds now specifically include bad faith, that the applicant was not using/did not propose to use the mark at the filing date, and that the applicant is not entitled to register the mark, which seems designed to replace the old s. 30(i) ground.

In Canada, an opponent has an initial onus to produce evidence supporting the grounds of opposition. Positive proof of bad faith will normally be difficult to show. Recently, in *Beijing Jingdong 360 du E-commerce Ltd. v. Zhang*, 2019 FC 1293, the Federal Court confirmed that “inferences” (in that case of abandonment) can be drawn in appropriate cases. Fact patterns found in the “old Act” non-entitlement cases, such as *Cerverceria* above, should provide guidance on when a court or the Opposition Board might be persuaded to find “bad faith” even without direct evidence from the applicant.

United States trademark law has no specific “bad faith” provisions, but applicants who have not yet used a mark in the United States must have a *bona fide* intent to use it. Failure to show clear business plans for use of the mark may be sufficient to support a claim that the applicant did not have a *bona fide* intent to use the mark.

In China, the volume of abusive filings has resulted in much attention, as well as regulatory amendments. On December 1, 2019, the Rules on Regulating Trademark Filing Acts (RRTFA) came into force, with the specific aim of countering abusive filings and protecting the public interest. While Chinese trademark law already identified certain unlawful activities, including the registration of well-known third party marks, guidelines have now been consolidated in a single regulation, with additional sanctions for both filers and their agents/representatives. Factors impacting a finding of bad faith under the RRTFA may relate to the mark, or to the applicant and are similar to those set out in Canadian caselaw. Factors relating to the mark itself include filing for a mark that:

- is a copy, imitation or translation of a well-known mark;
- will violate copyright, or rights in a personal or trade name;
- is the name of a famous person, or the full name or abbreviation of a company; and
- is the name of a business associate, agent or representative of the genuine owner.

Factors relating to the applicant include:

- filing for a mark with no intent to use the mark;
- the number of other applications filed by the applicant;
- whether there are other claims against the applicant of bad faith filings;
- whether the applicant has already been found to be a bad faith filer; and
- the relationship between the applicant’s business and the applied-for goods/services.



In China, bad faith can be raised both during examination, and as an opposition ground. In Canada, Examiners have no specific recourse against bad faith: the issue can only be raised during an opposition or expungement proceeding.

Inclusion of bad faith “factors” in legislation or regulations provides applicants, opponents, tribunals and courts with guidance and some level of certainty. However, existing Canadian jurisprudence, especially from the Opposition Board, already delineates lines that, once crossed, may result in lost rights. In fact, when viewed in the context of international analysis of “bad faith”, the factors identified by the Canadian Opposition Board are already consistent with guidelines adopted elsewhere. The list of bad faith indicators will never be exhaustive and it is expected that the examples of unacceptable behaviour will continue to grow as “bad faith” is specifically alleged in oppositions and expungements.

While these new bad faith opposition and expungement grounds add a much-needed focus on trademark squatting and fraud, putting the onus on brand owners to police the Register by starting opposition or expungement actions should not be the only recourse: the costs of such proceedings can be high, results are never certain, and it can take years before any decision is reached. Additional statutory remedies such as those adopted in China, giving examiners more leeway to exercise control, or policing filings and requiring more scrutiny of evidence of use, as proposed by some brand owners in the United States, may also be necessary. However, having just implemented significant amendments to Canadian trademark law, the Government is unlikely to have an appetite for additional amendments any time soon. In the meantime, with the evolution of the law on bad faith, hopefully applicants will be more careful in asserting rights inappropriately, and aggrieved parties will be able to use the threat of a bad faith challenge to more quickly resolve obvious examples of overreaching. As with so many of the other changes to Canadian trademark law, there are interesting times ahead.

For more information on bad faith, or any other aspects of Canadian trademark law, contact a member of Bereskin & Parr’s trademark group.

Information on this website is for information only. It is not, and should not be taken as, legal advice. You should not rely on, or take or not take any action, based upon this information. Professional legal advice should be promptly obtained. Bereskin & Parr LLP professionals will be pleased to advise you.