

Bad Faith

By John Groom

of Groom Wilkes & Wright LLP

Introduction

- Background
- The law
- Common approach to the concept
- No legal definition
- Points to consider in establishing likelihood of bad faith
- Burden of proof
- General

Background to the law

- **First Council directive 89/104 of 21 December 1998**
 - Article 3(1)(d)
“The application for registration of the trade mark was made in bad faith by the applicant”
 - Article 4(4)(g) - a registration shall be liable to be declared invalid where.....
“(g) The trademark is liable to be confused with a trade mark which was in use aboard on the filing date of the application and which is still in use there, provided that at the date of application the applicant was acting in bad faith”
- **International Paris Convention (Stockholm Text) Article 6 bis (3)**
“No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith”
- **Trips, Article 16, paragraph 2**
“Article 16 of the Paris Convention (1967) requires Article 6 bis of the Paris Convention to be applied”

The Law

- Council Regulations No. 207/209 (2009) Article 52 (1)(b) [formerly Article 51(1)(b)]
- Article 52(1)(b) CTMR Regulations
 - *“The Community Trade Mark shall be declared invalid on the application to the Office or on the basis of a counter claim in infringement proceedings where the Applicant was acting in bad faith when he filed the application”*
- UK Trade Marks Act 1994 Section 3(6)
 - *“A trademark shall not be registered if or to the extent that the application is made in bad faith”*
- Section 32(3)
 - *“The application shall state that the trade mark is being used, by the Applicant or with his consent, in relation to those goods or services, or that he has a bona fide intention that it should be so used”*
- Section 47 (1)(1)
 - *“The registration of a trade mark may be declared invalid on the ground that the mark was registered in breach of Section 3 or any of the provisions referred to in that section”*
- Section 47(4)
 - *“In the case of bad faith in the registration of a trade mark, the Registrar may himself apply to the Court for a declaration of invalidity of the registration”*

What is “bad faith”?



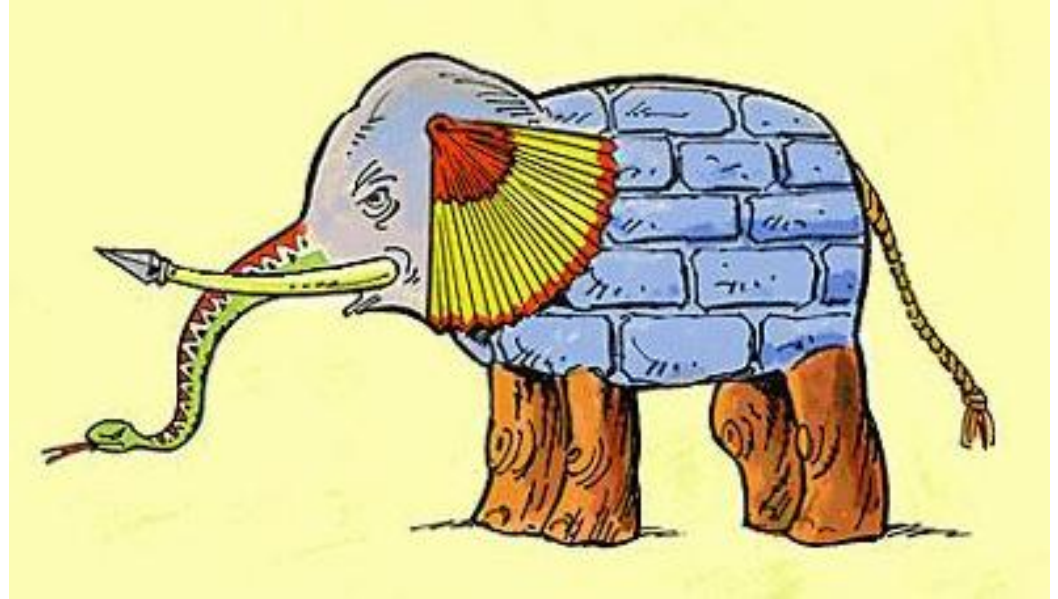
“Like many other beings, a banker is easier to recognise than to define” (United Dominions Trust v Kirkwood (1966) 1 All England 968 per Lord Denning MR)

What is “bad faith”?

- No legal definition
- Not all EU member countries have taken the wording of the directive (which are optional)
- But all members have some recognition that the general provisions of bad faith or not acting in good faith or unfair competition shall be the basis of bringing an action
- The difference in the wording – is it likely to result in nationals having its home grown concept of bad faith

What is “bad faith”?

So oft in theologic wars,
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean,
And prate about an Elephant
Not one of them has seen!



Like the six blind men and the elephant, there is no perfect picture, but it is plain that a unified understanding of the concept is necessary.

Common approach to the concept

- AG Sharpston's Opinion Lindt & Sprungli AG Case C-529, Paragraph 16

“Directive seeks to harmonise member states’ national laws, which remain in place alongside the Community system, but must be coherent with it. It contains provisions (broadly equivalent to, but in some respects subtly differing from) those in the Articles cited above.”
- Mr Justice Arnold – Hotel Cipriani (2008) EWHC 303, paragraph 174

“I do not accept that any of these decisions demonstrates that the tribunals at OHIM are applying different principles to those applied in the United Kingdom as set out in BRUTT”

A common approach

- In Brutt Saver Germany Case R127/200005-1 the First Board of Appeal dated 30 July 2009 (paragraphs 25-27) considered the issue of res judicata where there has already been a finding of bad faith in one member state and not only agreed that it could not take an alternative finding based on the same facts of the case in the UK, where the Appointed Person had upheld bad faith, but endorsed the reasoning of the Appointed Person.

No Legal Definition

- Lindsay J in *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context: how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances”

- The view of the Advocate General (paragraph 35 in *Lindt & Sprungli*) is that

“cannot be defined at all in the sense of determining its precise limits”

No legal definition



- *“The words “bona fide” or “good faith” are what are sometimes called “chameleon words” and take their content from the colour of their surroundings” – Pumfrey J Decision 19 December 2002 Harrison v Teton Valley Trading*
- The definition is dependent upon the circumstances of the case.

The fundamentals of an action

- Bad faith is not an alternative or subsequent ground for relative grounds.
- AG Sharpston's opinion Lindt & Sprungli, paragraphs 36-41:
“Bad faith therefore appears as an inherent defect in the application (rather than in the trade mark), which fundamentally vitiates the registration regardless of other circumstances. Much the same overall pattern is found in the directive” (paragraph 41)
- Fourth East Side Mario (Fourth Board Decision Case R582/2003)
“It follows from the reasoning above that Article 51(1)(d) does not seek to provide additional protection to that already granted by Article 8 CTMR, namely Article 8(2)(c) CTMR. Accordingly, holders of rights are protected against unfair practices even when they do not enjoy trade mark protection in the EU”

The fundamentals of an action

1. Absolute ;
2. Made at date of application;
3. Dishonesty and unfair competition;
4. Knowledge and intention;
5. Taking what is owned by another.

The fundamentals of an action

Absolute

- This is fairly plain.
 - It is tested as at the date of application.
 - See *Hotel Cipriani SRL v Cipriani (Grosvenor Street)* Court of Appeal (2010) EWCA 24 February 2001, paragraph 56

“My reasons are that when the registration was applied for there was no significant use of the word CIPRIANI (other than by the hotel Cipriani which are special cases and irrelevant) as a trade mark in relation to hotels or restaurants in Europe. The Cipriani Group did not have any right to use that word in that way which would have been entitled to a degree of local protection”
- Once a filing of bad faith has been made, when the application was filed, then no future circumstances would it seems be able to cure the registration
- It is not an alternative to Article 8 of the Regulations, but does provide protection envisaged under Article 4(4)(g) of the Directive

The fundamentals of an action

Dishonesty

- No definition of dishonesty.
- Early cancellation decisions at OHIM dishonesty featured considerably, but it is a more narrow test.
- *Surene Pty Ld v Multiple Marketing LTd C000479899/1 BE NATURAL:*

"10. Bad faith is a narrow legal concept in the CTMR system. Bad faith is the opposite of good faith, generally implying or involving, but not limited to, actual or constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually, bad faith can be understood as a "dishonest intention". This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing.

11. Bad faith can be understood either as unfair practices involving lack of good faith on the part of the applicant towards the Office at the time of filing, or unfair practices based on acts infringing a third person's rights. There is bad faith not only in cases where the applicant intentionally submits wrong or misleading by insufficient information to the Office, but also in circumstances where he intends, through registration, to lay his hands on the trade mark of a third party with whom he had contractual or pre-contractual relations."

The fundamentals of an action

Dishonesty (cont'd)

- Senso Di Donna's Case C0006716979/1 [2001] ETMR First Cancellation Division:

"17. Bad faith is a narrow legal concept in the CTMR system. Bad faith is the opposite of good faith, generally implying or involving, but not limited to actual or constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually, bad faith can be understood as a "dishonest intention". This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing. Example: if it can be shown that the parties concerned had been in contact, for instance at an exhibition in the respective trade, and where then one party filed an application for a CTM consisting of the other party's brand, there would be reason to conclude bad faith. In this case, however, according to the meaning of the term "bad faith", there is no evidence that Senso di Donna Vertribes - GmbH was acting dishonestly or that they intended any similar act, or were involved in unfair practices or the like."

The fundamentals of an action

Knowledge and Intention

This is probably at the heart of bad faith.

- If the intention of obtaining a registration was for any motive other than fair and honest trade then the bad faith alarm bells should start to ring.
- Daawat (2003) RPC 11
 - “Because it knew or, at least, should have known that such filing constituted an unfair practice involving lack of honest intention vis a vis the applicant (for invalidation) because it in fact precluded the latter from expanding its trade mark into Europe without the proprietor’s consent”*
- Daawat was followed at OHIM on the same general principle.

The fundamentals of an action

Knowledge and Intention

- If the purpose is something purely for the benefit of trade where there are some rights existing:
 - Lindt and Sprugel AG, paragraphs 43-47 *“accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant. In the particular case of obtaining a registration without intending to use it, its sole objective being to prevent a third party from entering into the market”*
 - Paragraph 47 *“.....to complete unfairly with a competitor who is using a sign which, because of characteristics of its own, has by that time obtained some degree of legal protection”*

What is “bad faith”?

Knowledge and intention

– Is the right limited to an overseas trade Mark?

NO

- The rights of the applicant are not limited to registration. Finland’s Supreme Court held that the right to bring an action for bad faith existed because the applicant for cancellation owned a domain name etuovie.net which was used as a trade symbol for similar services on the internet. (Etuovie v Etuovie Net, Case 833/3/06 Supreme Administrative Court, Finland 01 March 2007 *“in applying the Section 14(1) of the Finnish Trade Marks Act at the time of making the application the applicant was aware that it was a trade symbol of another and had been used and registered as a domain name”*)

The fundamentals of an action

Knowledge and intention

In the case of an application involving the use of the 1966 World Cup Mascot “World Cup Willie” and the copyright in that case, bad faith was an issue on behalf of the applicant and as regards its knowledge of the Court – Case Jules Rimet Cup Limited v The Football Association Limited (2007) EWHC, 2376CH *“Mr Tufft said he was not aware that World Cup Willie belonged to the FA, but nonetheless he rang the FA to see if they claimed any rights. He clearly had a good idea that there was a right in the copyright and/or residual reputation (Paragraphs 84 to 91)*



The fundamentals of an action

Knowledge and Intention

- If the sole purpose is to prevent somebody from entering into the market that is bad faith (Lindt & Sprungli AG, paragraph 43).
- This is a combination of both subjective dishonesty and objective dishonesty.
- Up until Lindt & Sprungli there was much debate on whether one or both were necessary.
- The position now seems to be clear that it is the combined test that should be applied. Lindt & Sprungli, paragraph 42

“It must be observed that regard that, as the Advocate General states in point 58 of her opinion, the Applicant’s intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of a particular case”

What is “bad faith”?

Knowledge and Intention

1. The existence of an overseas registration as envisaged in the directive Article 4(4)(g) has not been directly taken into any of the EU national laws.
2. It is accepted that knowledge of the existence of a registration or otherwise is not an act of bad faith, but the use of such knowledge with the intention of preventing another from legitimately trading or entering the market is bad faith (Lindt & Sprungli AG, paragraph 44)

What is “bad faith”?

Burden of Proof

- An important test given that in few countries in opposition invalidation proceedings, little chance of cross examination.
- Applications filed are presumed made in good faith.
- Fourth Board of Appeal Case R529/2008 Fenshuing Technology, paragraph 15

“The burden of proof is on the cancellation applicant; good faith is presumed until the opposite is proven. In the absence of evidence the CTM applicant has acted in bad faith, the Office may not declare the invalidity of the registration of the CTM”

What is “bad faith”?

Burden of Proof (cont’d)

- The case shows a subjective test, eg. the knowledge of the applicant is realised that this is a problem.
- First Board of Decision Case I203/2005-1 BRUTT paragraph 45:

“The problem with applying burden of proof rules in that manner gives an unfair advantage to the first to file in the situation in which two parties have been using the mark jointly. The appropriate action wasto discuss with the other party what to do with the trademark. It cannot be presumed that one party has the right to claim ownership simply based on first to file”

What is “bad faith”?

Burden of Proof (cont’d)

In overruling the cancellation decision, the Fourth Board of Appeal in case R1621/20064 Funke Kunststoffe GmbH v Astral Property, paragraph 47:

“The burden of proof for bad faith lies on the person who alleges bad faith, here the cancellation applicant. There is no such thing under sun or law that somebody who files a CTM application has a natural burden to show to others that it has genuine interest or justified reason to choose the mark”

What is “bad faith”?

Burden of Proof (cont’d)

The Benelux have had several cases where it has been held that the registrant on the facts should have known. A case in 2003 involving bedroom furniture the marks were owned by a Norwegian manufacturer. A Dutch company, Kuperus, registered the Norwegian marks but on being challenged claimed not to have any knowledge of the identical trade marks, but the Court’s view was that in the circumstances of the trade Kuperus should have known.

What is “bad faith”?

- Right of Office to object or to bring proceedings
Any action whereby registration is obtained by reasons of absolute dishonesty:
 - False information and declarations.
 - Actively deceiving the office regarding evidence of reputation.
 - Filing a series of applications with the intention of “trafficking” or trading in trade marks will be variations of bad faith. The UK provides specifically for applications that have been filed without a bona fide intention for the mark to be used to be rejected (Section 32(3)). See *Demon Ale* (2000) R.P.C.345

According to early decision *Trillium* Office OHIM do not regard bad faith in filing wider claims, but it is mooted in *Trillium* that there may be a case to answer if an individual files for excessively wide claims with no possibility of trading, manufacturing or otherwise using the mark.

What is “bad faith”?

- Rights of Office (cont'd)
 1. Other than the United Kingdom or Ireland, none of the other EU member countries have a concept of bad faith vis a vis the Office for filing wide claims.
 2. However, in the Czech Republic there is a concept of good faith to prevent speculative filing.
 3. USA and some countries whose laws are based on UK law and common law where rights are acquired by reason of use it can be bad faith to make a wide claim beyond what is reasonable or justifiable.
 4. In first to file countries the filing is taken to be made in good faith.

What is “bad faith”?

Overview of Europe and UK

- There is no single test. AG Sharpston – Lindt & Sprungli, paragraph 75

“To sum up, the gist of my analysis is that there is no simple, decisive test for establishing whether a trade mark application was submitted in bad faith. The various sets of circumstances which had been advanced before the Court has exhaustively limiting the notion of bad faith are in fact illustrative examples of that concept. Bad faith is a subjective state – an intention incompatible with the accepted standards of honest or ethical conduct – which is ascertainable from objective evidence, which must be assessed case by case”

What is “bad faith”?

Overview of Europe and UK

- Where it can be shown that the Applicant has acquired registration or is seeking protection for a purpose other than to trade in a general matter.
- Where the Applicant has committed a fraud or dishonesty in its dealings with third parties and/or the Office.
- Where the intention is to preclude others from legitimately trading
- That the applicant has taken unfair advantage of and has acted in a way that falls below commercial standards in making the application.

Conclusion

- Bad faith can normally be implied:
 - Where it has been shown that the applicant has no intention to trade.
 - Where it can be shown that the applicant acquired registration for the purposes other than to trade in a genuine manner.
 - Where the applicant has committed a fraud or dishonesty in its dealings with third parties and/or the Office.
 - Where the intention is to preclude others from legitimately trading.