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BONA FIDE INTENT TO USE IN THE UNITED STATES AND CANADA

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I. INTRODUCTION

Trademark owners and the public alike need and deserve protection of trademarks from misappropriation and fraud. At the same time, economic growth requires honest and free competition. Ideally, there should be a reasonable balance between these needs. This is not easy to achieve. Moreover, laws that once were appropriate may need revision from time to time. A case in point is the Community Trade Mark Regulation¹ (CTMR), which has become one of the most important trademark protection systems in the world. Despite its popularity, the CTMR is clearly in need of substantial revision in a number of fundamental respects.²

Under the CTMR, an applicant is entitled to apply to register a trademark for a voluminous list of disparate goods and/or services without even having to declare a bona fide intention to use the mark for such goods or services. This leads to numerous applications and registrations having unreasonably broad

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1. Council Regulation (EC) No. 40/94 on the Community Trade Mark, Dec. 20, 1993.

2. On October 16, 2009, the EU Commission awarded a contract to Max-Planck-Institut for a "Study on the Overall Functioning of the Trade Mark System in Europe." It is hoped that this project will result in proposals to important issues, such as bona fide use as a condition for filing and the nature and extent of "genuine use in the Community" sufficient to justify the continued enforceability and validity of a Community trade mark.

specifications of goods and services, and to “deadwood”³ trademark registrations.

In contrast, under federal U.S. law,⁴ all applicants, domestic and foreign, must either have used the trademark in commerce⁵ prior to filing or have a bona fide intention to use the trademark in commerce.⁶ Under Canadian law,⁷ domestic applicants must either have used the trademark in Canada prior to filing or have a bona fide intention to use the trademark in Canada for the goods and services specified in the application.⁸

The argument of this essay is that bona fide intent to use should be an essential prerequisite for filing a trademark application in any country or region where protection is sought, and in particular in the European Union (EU) when filing an application for a Community trade mark (CTM). The interests of both traders and the public are best protected by a system that ultimately requires use or reputation of trademarks to justify injunctive relief. Although there are good reasons for allowing trademark applications to be filed based on intent to use, both U.S. and Canadian trademark laws contain safeguards to ensure that the rights of other traders and of the public are not adversely affected.⁹ The CTMR system lacks adequate measures to protect against overclaiming (and in fact encourages it), and thus it has become increasingly difficult and expensive to clear trademarks for use in the EU. This is particularly disadvantageous to small and medium-sized entities, for which the cost and uncertainty associated with obtaining a CTM registration can be an impediment to trade. Further, unlike the situation in the United States, where a fraudulent statement of bona fide intent to use can

3. In this article, “deadwood” means registered marks that are not in use in the territory for which the registration has been issued, or registered marks that are in use but only for some of the goods and services covered by the registration.

4. Lanham Act (Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (1946), as amended (codified at 15 U.S.C. §§ 1051-1127)).

5. Lanham Act § 45, 15 U.S.C. § 1127. “Use in commerce” means bona fide use in interstate commerce within the United States or foreign commerce with the United States in the ordinary course of trade.

6. Foreign nationals may also register in the United States based on a home registration, provided they have a bona fide intention to use the trademark in commerce in or with the United States. *See Honda Motor Co. v. Winkelmann*, 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009).

7. Trade-marks Act, R.S.C. 1985 ch. T-13.

8. Foreign nationals may also register based on a home registration, provided they have used the trademark in one or more countries for the specified goods and/or services.

9. *See Honda Motor Co. v. Winkelmann*, 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009).

in some circumstances invalidate a trademark application or the resulting registration,¹⁰ in Europe, as the law now stands, the doctrine of bad faith cannot be invoked even in a case of deliberate overclaiming of a specification of goods and/or services.¹¹

A prominent U.K. jurist, Lord Justice Jacob of the Court of Appeal of England and Wales, expressed his consternation with overclaiming in CTM applications as follows:

It is apparent from the specifications of goods being allowed by OHIM that owners are being allowed to register for ranges of goods or services far wider than their use, actual or intended. This causes the Office massive unnecessary work-hours spent ploughing through long specifications to find out whether, buried in there, are goods or services of which the mark is descriptive. Even more seriously these overbroad registrations are likely to hamper trade. And of course they may put up costs for anyone seeking registration of a mark or contemplating using it. The problem needs resolution. Sooner, rather than later, rules will have to be developed to stop this nonsense. It is not good enough to say that there can be later part-cancellation of wide specifications for non-use. Who would bother with the expense and time involved when they want to get on with their business?¹²

II. THE HISTORICAL REQUIREMENT FOR USE AS A PRECONDITION TO REGISTRATION

A. Use Is a Principal Motif of U.S. and Canadian Trademark Laws

Numerous substantive provisions of the Lanham Act and the Trade-marks Act (together, the “Acts”) refer to use. This is no mere coincidence. In both the United States and Canada, the right to obtain an injunction traditionally depends on the nature and extent of trademark use. By contrast, it is possible to obtain a CTM without having to aver a bona fide intent to use, let alone prove use prior to registration, and in theory the owner of a CTM

10. *Id. But see* G&W Labs., Inc. v. GW Pharma Ltd., 89 U.S.P.Q.2d 1571 (T.T.A.B. 2009), where proof of fraud in a multiclass registration affected only the class with respect to which fraud had been proved.

11. Harte-Hanks Data Techs., Inc. v. Trillium Digital Sys., Inc., OHIM Ref. No. C000053447/1 (OHIM Cancellation Div. Mar. 28, 2000).

12. D. Kitchin & D. Llewelyn, *Kerly's Law of Trade Marks and Trade Names*, preface, at viii-ix (13th ed. 2000).

is entitled to an injunction restraining use of a confusingly similar trademark anywhere in the EU, irrespective of where or whether the CTM has been used.¹³

The legal issues involving the concept of use in the United States and Canada are not merely technical. They are deeply rooted in the philosophical underpinnings of the Acts and the common law upon which the Acts are based. The concept of allowing domestic applicants to file trademark applications with merely a bona fide intent to use is a departure from the original requirement of use as a condition precedent to filing.

B. Use Requirements Under U.S. Law

In the 19th and 20th centuries, to be entitled to an injunction for trademark infringement or passing off, a trademark owner generally was required to prove fraud or deceit. Although infringement usually causes harm to the business and goodwill of the owner of the mark, the basis for recovery was deception of customers or potential customers.¹⁴

Eventually, trademark infringement was expanded beyond fraud or deceit to misappropriation of goodwill, as indicated in the famous and prescient language of Judge Learned Hand in *Yale Electric Corp. v. Robertson*: “This is an injury, even though the borrower does not tarnish [the mark], or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.”¹⁵

13. A CTM does, however, become vulnerable to cancellation for non-use after five years from the date of the registration unless it can be shown that the trademark is in “genuine use in the Community.” The Joint Declaration of the Commission and Council of Ministers, dated October 22, 1995 (OJ OHIM 5/96, at 612-23), states: “The Council and the Commission consider that genuine use in the sense of Article 15 [of the CTMR] *in a single country* constitutes genuine use in the Community” (emphasis added). Although this document has no legal effect, this statement represents current OHIM policy that use in a single country is sufficient to sustain a CTM throughout the EU.

14. At common law it was difficult for a plaintiff to succeed in an action for passing off if the plaintiff and defendant were not competitors. Typically, injunctions were refused if the goods were considered dissimilar, even if there was a logical connection between them. For example, in Canada, electric and blade razors were held not to be similar goods (*Magazine Repeating Razor Co. of Can. Ltd. v. Schick Shaver Ltd.*, [1940] S.C.R. 465), and smokers’ pipes were considered to be dissimilar to cigarettes and tobacco (*In re Belgo Canadian Mfg. Co.* (1945), 4 C.P.R. 123, 4 Fox Pat. C. 143). Famous trademarks fared better. The use of the plaintiff’s trademark KODAK for bicycles was enjoined even although the mark was known at the time only in relation to photographic materials (*Eastman Photographic Materials Ltd. v. John Griffiths Cycle Corp.*, (1898) 15 R.P.C. 105).

15. 26 F.2d 972, 973-74 (2d Cir. 1928).

Although the scope of trademark rights in the United States has evolved over the years to meet the changing needs of commerce, it is clear that U.S. trademark law was grounded on use as a prerequisite to protection. The U.S. Supreme Court put it as follows:

The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting consumers from confusion as to source. While that concern may result in the creation of “quasi-property rights” in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.¹⁶

As a result of this and many other cases, for well over a century it was the unequivocal requirement under U.S. law that trademark rights were conditioned on the active use of the mark and inseparably connected with the goodwill of the business symbolized by the mark.¹⁷

C. Use Requirements Under Canadian Law

In Canada, as in the United States, trademark rights arise through and are conditioned on use.¹⁸ Use in Canada is an essential condition for registration by a domestic applicant. Also, in assessing likelihood of confusion with another mark, the nature and extent of the use and numerous surrounding circumstances¹⁹ must be ascertained before infringement can be determined. Confusion in relation to a registered trademark is tested in a hypothetical marketplace where both the marks are deemed to be used. The Trade-marks Act does not specify the geographical scope of the use necessary to support a registration. The law permits registration based on mere local use, notwithstanding the fact that a registration confers national rights.²⁰

16. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989). *See also* *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (“There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”).

17. It remains a condition of U.S. law that valid assignment of a trademark must include the transfer of the goodwill associated with the mark and valid licensing of a trademark requires control over the character and quality of the goods or services to which the licensed trademark applies.

18. *Standard Brands Ltd. v. Staley*, (1946) 6 C.P.R. 27, 33.

19. Trade-marks Act § 6(5).

20. In Canada as well as the United States and Europe, tensions can and often do arise between rights arising from federal registrations and merely local users, but this complex subject is beyond the scope of this article.

III. INTENT TO USE IN THE UNITED STATES

A. Legislative History

Legislation permitting registration based on intent to use first was enacted in the United States in the Trademark Act of 1870, which was struck down by the United States Supreme Court in 1879 because it permitted registration without use in commerce.²¹ Between 1870 and 1988, there were numerous congressional proposals for intent-to-use (ITU) legislation. The best known of these bills were those of 1925 and 1938, with numerous attempts also being made in the 1950s and 1960s. None of these bills became law, and congressional support for an ITU statute waned until the Trademark Trial and Appeal Board's (TTAB's or Board's) decision in *Crocker*,²² in which the TTAB held that a foreign applicant could obtain registration of a mark in the United States based on a home registration, irrespective of whether the trademark had been used anywhere prior to filing and whether the applicant had a bona fide intention to use the trademark in the United States. The correctness of the Board's decision is open to doubt,²³ but *Crocker* at least had the result of reviving interest in an ITU statute.

1. Policy Reasons Behind ITU Legislation

In 1985, the United States Trademark Association (USTA), now called the International Trademark Association, formed the Trademark Review Commission (TRC), composed of leading trademark lawyers and scholars, and charged it with the responsibility for reexamining the Lanham Act.²⁴ Although not

21. "Use in commerce" means use that can be regulated by Congress (Lanham Act § 45, 15 U.S.C. § 1127), that is, interstate commerce and commerce with the United States.

22. *Crocker Nat'l Bank v. Canadian Imperial Bank of Commerce*, 223 U.S.P.Q. 909 (T.T.A.B. 1984), later proceeding, 228 U.S.P.Q. 689 (T.T.A.B. 1986), *aff'd sub nom.* *Canadian Imperial Bank of Commerce v. Wells Fargo Bank, N.A.*, 811 F.2d 1490 (Fed. Cir. 1987).

23. D.R. Bereskin & A. Sawchuk, *Crocker Revisited: The Protection of Trademarks of Foreign Nationals in the United States*, 93 TMR 1199 (2003).

24. The TRC's mandate was expressed as follows:

The Commission shall conduct a study to determine if the trademark system is effective to:

- 1) Fulfill the objectives of the Trademark Act of 1946 as set forth at the time of its enactment;
- 2) Accommodate present day business and commercial practices and realities;
- 3) Implement the public policy objectives of the United States;

formed specifically for the purpose of studying ITU legislation, the TRC in its final report included proposed ITU legislation.²⁵ The policy reasons justifying such legislation included the following:

1. A domestic applicant had to aver use in commerce as a condition for filing, whereas after *Crocker* a foreign applicant relying on Section 44(e) of the Lanham Act could obtain registration in the United States based on a home registration without having to prove use anywhere. Foreign applicants therefore were afforded the benefit of being deemed to be the prior user in the United States without ever having used the mark there, or, for that matter, without ever having used the mark anywhere in the world.
2. Draconian risks were placed on businesses seeking to launch new trademarks nationally. In many industries, the development of a new product or service involves a significant investment of money, or the right to sell the product could depend on approval by a government agency. Thus, it could take months or years before the product or service could be launched. Without having used their marks in commerce, trademark owners could not obtain trademark protection. Their investment, and the success of their launch, could be jeopardized if others were quicker at getting a similar product or service to the market with a similar mark²⁶ or if unscrupulous third parties made modest use of a confusingly similar mark in order to hold the trademark owner to ransom.
3. Permitting filing based on intent to use eliminates the problem of “token use.” Some applicants engaged in sporadic if not sham use of the mark to satisfy the use requirement. In some instances, such token use of the mark

4) Further the principles and objectives of the trademark concept and an optimal trademark system; and

5) Adapt to potential future changes in business practices and commercial relationships.

The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 TMR 375, 383 (1987) [hereinafter TRC Report].

25. See *id.* at 395 (proposed amended definition of “use in commerce”).

26. *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260 (5th Cir. 1975) (the parties independently planned to use an identical mark on competing goods; priority was based on the first to use the mark in commerce).

was found sufficient to satisfy the use requirement,²⁷ but this practice caused problems for courts and trademark owners alike in resolving uncertainties as to priorities between rival claimants.

B. The Trademark Law Revision Act of 1988

Largely as a result of the work of the TRC, in 1988 Congress enacted the Trademark Law Revision Act of 1988 (TLRA).²⁸ A key feature of the TLRA is the concept of constructive national use from the date an ITU application is filed, effective upon registration. This provides nationwide rights to an ITU applicant except with respect to the following: (a) a party using the mark in the United States prior to the application date; (b) a party applying for registration prior to the applicant; or (c) a party who has acquired a Section 44 priority date based on a foreign convention application.²⁹

1. Protection Against “Deadwood”

Important provisions of U.S. trademark law are designed to safeguard against “deadwood.” They include the requirement for filing a Section 8 affidavit attesting to the use of the mark in commerce between the fifth and sixth years following registration³⁰ and the ability of third parties after three years from the date of the registration (or earlier if justified by the facts) to petition to cancel the registration on the ground of abandonment.³¹

27. See, e.g., *Société de Developments et D'Innovations des Marches Agricoles et Alimentaires-Sodima-Union de Cooperatives Agricoles v. Int'l Yogurt Co.*, 662 F. Supp. 839 (D. Or. 1987) (finding that a token sale of \$2.52 to a friend was sufficient to establish use in commerce).

28. Pub. L. No. 100-667, 102 Stat. 3935 (1988), at 225, 228-30.

29. See USTA Testimony Before the Subcomm. on Courts, Civil Liberties and the Administration of Justice of the H. Comm. on the Judiciary, 100th Cong. (Sept. 8, 1988), reprinted in *The Trademark Law Revision Act of 1988* (Public Law 100-667) 225, 228-30 (United States Trademark Association 1989) [hereinafter USTA publication]; TRC Report, *supra* note 24, at 392-93.

30. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:136 (4th ed. 2003). A registration of a mark under the Lanham Act is automatically cancelled on the sixth anniversary of its registration date unless the registrant files, within the fifth year, an affidavit that the mark is in use in commerce or demonstrates excusable non-use of the mark.

31. *Continental Grain Co. v. Strongheart Prods., Inc.*, 9 U.S.P.Q.2d 1238, 1240 (T.T.A.B. 1988) (cancelling registration of mark based on abandonment through non-use where registrant had made only nominal shipments of goods).

2. Meaning of Bona Fide

Section 1 of the TLRA provides that “[a] person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark...”³² “Bona fide means an intention which is firm, though it may be contingent on the outcome of an event.”³³

The use of the term “bona fide” is meant to eliminate “token use,” and to require, based on an objective review of the circumstances, a good faith intention eventually to use the mark in a real and legitimate commercial sense. What is real and legitimate will vary depending on the practices of the industry involved, and should be determined based on the standards of that particular industry.³⁴

Bona fide intent to use is measured by objective standards that must reflect the applicant’s good faith in connection with the intended use. “Bona fide” should be read to reflect a fair, objective determination of the applicant’s intent based on all the circumstances.³⁵

Such objective factors can include, *inter alia*, marketing reports and analyses, long-range strategic plans, product testing, competitive market reports, recommendations of consultants, customer requests, historic patterns of marketing new products, consumer surveys and product development reports. It is important for the applicant and counsel to work together and develop a protocol to lay the proper “paper trail” to support a showing of bona fide intent.

A statement of intent to use a mark on specifically identified products in the future may be sufficient. An applicant may safely make this statement in its original application without having taken concrete steps to create and introduce a new product, provided that in fact it intends to use the mark.³⁶

Other circumstances may cast doubt on the bona fide nature of the intent. The Senate Report on the TLRA provides the following

32. 15 U.S.C. § 1051(b)(1).

33. 133 Cong. Rec. S16551 (daily ed. Nov. 19, 1987) (statement of Sen. DeConcini). *See also* Sen. Comm. on the Judiciary, Report on S. 1883, S. Rep. No. 100-515, at 24 (1988) [hereinafter Senate Report].

34. House Comm. on the Judiciary, Report on H.R. 5372, H. Rep. No. 1028-1029 (1988).

35. *Cf.* D.R. Bereskin, *Intent-to-Use in Canada After Three Decades*, 79 TMR 379, 387-94 (1989) (review of “dirty tricks” encountered in the Canadian ITU system).

36. Senate Report, *supra* note 33, at 23.

examples: “the applicant may have filed numerous intent-to-use applications to register the same mark for many more new products than are contemplated”; “numerous intent-to-use applications for a variety of desirable trademarks intended to be used on a single new product”; “numerous intent-to-use applications to register marks consisting of or incorporating descriptive terms relating to a contemplated new product”; “numerous intent-to-use applications to replace applications which have lapsed because no timely declaration of use has been filed”; “an excessive number of intent-to-use applications to register marks which ultimately were not actually used”; “an excessive number of intent-to-use applications in relation to the number of products the applicant is likely to introduce under the applied-for marks during the pendency of the applications”; “applications unreasonably lacking in specificity in describing the proposed goods”; or “other circumstances may also indicate the absence of genuine bona fide intent to actually use the mark.”³⁷

3. Provisions of the TLRA Intended to Deter ITU Abuse

Section 10 of the TLRA prohibits assignments of ITU applications except under limited conditions.³⁸ The Lanham Act provides for cancellation of registrations obtained through fraud and awards damages to those injured by fraudulent registrations.³⁹ A person having color of authority must verify the application.⁴⁰ “Persons having color of authority to sign the application are those who have first-hand knowledge of the truth of the statements in the verification or declaration and who also have actual or implied authority to act on behalf of the applicant ... an applicant’s attorney ordinarily will not be considered a person having color of authority to sign.”⁴¹ A false affidavit involves potential civil and criminal penalties.⁴²

It is clear from the legislative history that the quality rather than the amount and frequency of the trademark use is the criteri[on] by which use will be judged. If the use is part of an established, ongoing commercial sale or shipment which was

37. *Id.* at 23-24.

38. 15 U.S.C. § 1060.

39. Lanham Act §§ 37, 38, 15 U.S.C. §§ 1119, 1120.

40. *See* 37 C.F.R. §§ 2.21(a), 2.76(e)(3), 2.88(e)(3).

41. 54 Fed. Reg. 37570 (Sept. 11, 1989).

42. Lanham Act § 38, 15 U.S.C. § 1120.

not made merely to reserve a right in the mark, it will be considered a “bona fide use ... in the ordinary course of trade,” regardless of the volume of the sales, shipments or the geographic area in which the sales or shipments are made.⁴³

Conversely, if the intent is solely to reserve rights in the mark, even regular sales may be insufficient to qualify.⁴⁴

IV. INTENT TO USE IN CANADA

A. Legislative History

In 1947, the Trade Mark Law Revision Committee (TMLRC) was established by the government of Canada to recommend changes to the Unfair Competition Act (UCA), 1932.⁴⁵ Under the UCA, trademarks could be registered based on use, but it was not possible to obtain a filing date based on proposed use. The TMLRC had two models for study: the U.K. system, which permitted registration of trademarks based merely on an intention to use, and the U.S. system, which required use in commerce as a condition for filing. Neither system was considered desirable. The U.K. system was rejected on the ground that the register would likely become crowded with trademarks that were not in use and not likely to be used. The U.S. system was rejected because it was thought that the requirement of use as a condition for filing would promote applications based on token if not phony use.⁴⁶

B. The Canadian ITU System Under the Trade-marks Act

The compromise chosen by the TMLRC, which ultimately was enacted in the Trade-marks Act, permitted the filing of trademark applications based solely on an intention to use, with safeguards to ensure that the registration would not be issued until after the

43. Henry W. Leeds, *Intent to Use—Its Time Has Come*, 79 TMR 269, 283 (1989).

44. *Id.* at 283 n.42 (noting that “[i]n effect, Congress appears to be adopting the holdings in *Procter & Gamble Co. v. Johnson & Johnson*, 485 F. Supp. 1185, 205 U.S.P.Q. 697 (SDNY 1979), *aff’d without opinion*, 636 F.2d 1203 (CA 2 1980) (fifty cases bearing mark shipped annually as part of a trademark maintenance program were insufficient to maintain trademark rights), and *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 217 U.S.P.Q. 1200 (CA 5 1983) (limited arranged sales of products bearing the mark as part of a trademark maintenance program were insufficient to avoid a prima facie abandonment).”).

45. S.C. 1932 ch. 38.

46. Leeds, *supra* note 43, at 271.

trademark was in use in Canada,⁴⁷ as proved by the filing of a declaration attesting to use in relation to specific wares or services. In addition, after three years from the date of the registration, any third party may request the Registrar of Trade-marks to issue a notice to the owner of a registered trademark requiring the owner to prove that the trademark has been used in Canada within the preceding three years. In the absence of such proof, or an explanation satisfactory to the Registrar excusing non-use, the registration will either be cancelled or be restricted to the specific goods and/or services for which use in Canada has been proven. In addition, a trademark registration can be invalidated at any time if it can be shown that the mark has been abandoned⁴⁸ or if it is no longer distinctive.⁴⁹ On balance, the system has worked very well.

C. Bona Fides

The Trade-marks Act does not specifically require that an applicant have a bona fide intention to use the trademark at the date of filing of the application. The definition of “proposed trade mark” in Section 2 of the Act does not mention *bona fides*, but only that the mark be “proposed to be used.” It is conceivable that “proposed to be used” could cover marks “which one day might be useful” but for which there was not, at the filing date, any real intention to use. However, Section 30(e) of the Act requires an applicant for registration of a proposed trademark to state that the applicant intends to use the mark in Canada. It is reasonable to conclude that this must involve a real intention to use, that is, a definite and present intention to use. Without such an interpretation any ITU system would be subject to considerable abuse. Therefore, it is probable that *bona fides* is essential to the validity of an ITU application in Canada.⁵⁰ Unlike the situation in the United States, in Canada it is possible to assign an ITU application irrespective of whether the trademark has been used prior to the date of the assignment.

47. Trade-marks Act § 4.

48. *Id.* § 18(1)(c).

49. *Id.* § 18(1)(d).

50. See *Sapodilla Co. v. Bristol-Myers Co.*, (1974) 2 C.P.R. 152, 155, regarding existence of bad faith in relation to a ground of opposition under Section 29 (now Section 30) of the Trade-marks Act.

V. CASE LAW

A. *United States*

A leading case testing the meaning of “bona fide” in relation to a U.S. filing by a foreign national under Section 44(e) of the Lanham Act is *Honda Motor Co. v. Winkelmann*.⁵¹ Winkelmann filed a Section 44(e) application to register the mark V.I.C. for “vehicles for transportation on land, air or water” in Class 12 based on its German application for the same mark. Honda opposed the application based on a likelihood of confusion between its CIVIC marks for “automobiles” and “automobiles and structural parts therefor” and a lack of bona fide intent to use the applied-for mark at the time of filing. The TTAB granted summary judgment, finding that Winkelmann lacked a bona fide intent to use goods identified in its trademark application.

The Board found that the same analysis of bona fide intent to use applies under Section 44 and Section 66 applications as it does under Section 1(b). Lack of documents verifying a bona fide intent to use the mark is sufficient to establish a rebuttable presumption that the applicant lacks such intent. Winkelmann failed to produce any documents and, in response to Honda’s interrogatories, stated that it had not had any activities in the United States, had not made or employed a business plan or strategy and had not identified any channels of trade to be used in the United States.

Evidence of Winkelmann’s foreign registrations and German-language website printouts did not demonstrate use anywhere, or intent to use in the United States, of the applied-for mark in connection with the claimed goods. The Board noted that the website printouts of advertising materials and car care packages at most supported an intention to use the mark in connection with promotional services for car dealerships, and not on the vehicles referred to in the application.

Two leading cases on a related subject, fraud on the U.S. Patent and Trademark Office (USPTO), are *Medinol Ltd. v. Neuro Vasx, Inc.*⁵² and *In re Bose Corp.*⁵³ In *Medinol*, the TTAB cancelled a registration for stents and catheters based on fraud where the applicant knew or should have known that it was not using the mark in connection with all goods identified in the application at the time of filing of its statement of use. Under *Medinol*, fraud on

51. 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009).

52. 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

53. 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009).

the USPTO could not be remedied by a later deletion of the goods or services not in use. As the Board explained, "If fraud can be shown in the procurement of a registration, the entire resulting registration is void."⁵⁴

In re Bose Corp. significantly limits the holding in *Medinol* by requiring proof of an intent to deceive the USPTO by clear and convincing evidence in order to cancel a registration based on fraud. Following *Medinol*, the TTAB found that Bose committed fraud on the USPTO when it applied for renewal of the registration of the trademark WAVE claiming use based on transportation of goods, including audiocassette players bearing the mark, to and from Bose for repair. Bose discontinued the manufacture and sale of audiocassette players when a CD player was substituted for the audiocassette player. The Board found that the belief that such use was a proper basis for renewing the registration for audiocassette players was unreasonable. The Federal Circuit reversed, disapproving the Board's practice of finding fraud if a registrant or applicant merely "should have known" that a material representation to the USPTO was false. According to *In re Bose*, a federal trademark registration can successfully be attacked only if clear and convincing evidence or testimony establishes that "the applicant or registrant knowingly [made] a false, material representation with the intent to deceive the [US]PTO."⁵⁵ Although *In re Bose* does prevent innocent mistake from invalidating a registration, *Winkelmann* demonstrates that foreign applicants should be cautious about overclaiming when filing a Section 44(e) application with the USPTO.

B. Canada

The Trade-marks Act requires an applicant for registration of a trademark to file an application containing a number of statements and particulars,⁵⁶ including, in the case of a proposed trademark, a statement that the applicant, by itself or through a licensee, or by itself and through a licensee, intends to use the trademark in Canada.⁵⁷ Although there have been no court decisions to date interpreting Section 30(e), in a number of Opposition Board decisions the issue of *bona fides* has been raised in relation to that section, and it appears clear, at the Opposition

54. 67 U.S.P.Q.2d at 1208.

55. 91 U.S.P.Q.2d at 1941.

56. Trade-marks Act § 30.

57. *Id.* § 30(e).

Board level at least, that an applicant's failure to have a bona fide intention to use the trademark for the goods and/or services contained in the application as filed can be a valid ground of opposition.⁵⁸ Proving lack of *bona fides* is not easy. In *Cerveceria Modelo, S.A. de C.V. v. Marcon*,⁵⁹ although the opposition was successful on other grounds, the Section 30(e) ground failed because showing use of the mark was not required until the mark was allowed; filing multiple applications for trademark registrations did not constitute evidence of non-use, and stating an intention to use did not necessarily mean that the applicant intended to manufacture the wares themselves.

VI. U.S. AND CANADIAN TRADEMARK LAW VERSUS THE CTMR

In many respects, the CTMR is a brilliant piece of legislation. It covers a broad range of complicated issues in detail, and with a high degree of internal consistency. That said, the CTMR differs profoundly from U.S. and Canadian trademark law in that it creates property rights in a mark without any requirement of use or even bona fide intention to use, without goodwill, and these rights extend throughout the entire EU subject to cancellation for non-use after five years from the date of the registration. In the United States and Canada, a trademark registration largely depends on, and is a reflection of, underlying common-law rights. The property right one obtains under U.S. and Canadian law is not in the trademark as such, but instead is in the goodwill symbolized by the trademark, and the value of that goodwill depends on the extent to which the trademark is used and/or made known. Furthermore, in both the United States and Canada, unfair competition law is incorporated into the respective federal statutes. That is not the case in Europe. The CTMR does not give trademark owners the right to sue for unfair competition, and unfair competition law varies widely from one EU country to another, making coupling actions for infringement and unfair competition problematic.

Trademark law should strike a reasonable balance between protection of the rights of trademark owners, protection of the public from deception and freedom of competition. The CTMR, it is submitted, is weighted too much in favor of easy protection of trademarks throughout the whole of the EU. By ignoring bona fide

58. *Hunter Douglas Can. Ltd. v. Flexillum Inc.*, (1983) 78 C.P.R. (2d) 212.

59. (2008) 70 C.P.R. (4th) 355.

intent to use as a condition for filing, and not relating the scope of protection to the geographical extent of genuine trademark use, the CTM increasingly is becoming unattractive, especially to small and medium-sized entities, which often cannot afford the cost and risk associated with clearing a trademark for use throughout the EU.⁶⁰ The situation worsens as time goes by and the amount of deadwood increases.

In addition to the foregoing, the CTMR lacks a statutory definition of what constitutes “genuine use in the Community.” Although a detailed discussion of this subject is beyond the scope of this article, it is apparent that there is a profound difference of opinion among both the judiciary and scholars on this crucial issue.⁶¹ It is submitted that the lack of any requirement of bona fide intent to use for procuring a CTM, the absence of any realistic controls on overclaiming and the failure to specify what constitutes “genuine use in the Community” all combine to impede commerce throughout the EU, exactly the opposite of what the CTMR was intended to promote. Considering that the EU now comprises 27 nations, these issues should be addressed promptly by statutory amendment of the CTMR.

A. The 1976 EEC Report

It is understandable that the European Commission charged with the responsibility for planning the CTMR was concerned about the interrelationship between EU-wide rights under a CTM, and national rights. This no doubt was a formidable challenge, given the profound linguistic, cultural, and marketplace differences throughout the EU compared with the situation in the United States and Canada. A careful reading of the 1976 European

60. Francois Griesmar & Dr. Alliana Heymann, *Too Much of a Good Thing? Considerations Over the Sufficient Geographical Use of Community Trademarks*, available at http://www.ecta.org/IMG/pdf/Griesmar_PP.pdf (last visited Feb. 11, 2010). See also Fabio Angelini, *The CTM and the Public Interest: Another View*, available at http://www.ecta.org/IMG/pdf/Angelini_PP.pdf (last visited Feb. 11, 2010).

61. See *Leno Merken B.V. v. Hagelkruis Beheer B.V. (ONEL vs. OMEL)*, Opposition Decision No. 2004448 (Benelux Office for Intellectual Property Jan. 15, 2010), available at http://www.boip.int/pdf/opposition/BBIE_OMEL-ONELenglish.pdf (last visited Feb. 11, 2010); IPKat blog on the *ONEL vs. OMEL* case, available at <http://ipkitten.blogspot.com/2010/01/how-genuine-is-omel.html> (last visited Feb. 11, 2010); *Sunrider Corp. v. OHIM (VITAFRUIT)*, Case C-416/04 P, [2006] E.C.R. I-4237; *Boston Scientific Ltd v. OHIM (CAPIO)*, Case T-325/06, [2008] E.C.R. II-0174; *La Mer Tech., Inc. v. Laboratoires Goemar SA*, Case C-259/02, [2004] E.C.R. I-1159; *Ansul BV v. Ajax Brandbeveiliging BV (MINIMAX)*, Case C-40/01, [2003] E.C.R. I-2439.

Economic Commission (EEC) report⁶² indicates that the Commission appears to have been concerned that national rights could prejudice the free movement of goods within the common market⁶³ and predicted that existing national laws will eventually decline in importance.⁶⁴ The correctness of this view is open to argument, especially considering the substantial expansion of the EU since 1976.⁶⁵

Although the EEC did not use “*bona fides*” or “good faith” anywhere in the report, it is clear that the Commission thought some reasonable conditions should be imposed on overclaiming, specifically a requirement that an applicant must state his business in order to determine whether the list of goods to be covered is related to the business activities of the applicant. This provision was dropped from the CTMR.⁶⁶ Although any trademark system should have a degree of flexibility sufficient to allow the business of trademark owners to grow or change over time, there should be checks and balances to ensure that such flexibility does not lead to a buildup of deadwood registrations.

It is interesting to note that the EEC appears to have been of the view that conflicts among trademark owners could be resolved inexpensively, which presumably was its justification for not proposing that OHIM examine applications on relative grounds: “The procedural advantage of the Community trade mark law lies in the ability to settle trade mark conflicts in simple and relatively inexpensive opposition proceedings.”⁶⁷

In 2008, OHIM reported the filing of approximately 87,000 CTM applications. In the same year, 18,500 oppositions were received, or about 21 percent of all applications filed were opposed. In contrast to this, in fiscal 2009, the USPTO received 352,051 applications and 5,307 oppositions were filed, that is, about 1.5

62. Memorandum on the Creation of an EEC Trade Mark, July 6, 1976, SEC (76) 2462 [hereinafter 1976 EEC Report].

63. *Id.* § 26.

64. *Id.* § 32.

65. National rights were not abolished by the CTMR, and national registrations remain available to protect trademarks that have little or no prospect of being used to a substantial extent throughout the EU.

66. “In addition to the requirements contained in Article 65 of the 1964 Draft there should be a requirement that an applicant must state his business in order to determine whether the list of goods to be covered is related to the business activities of the applicant. By means of such an examination, which can be carried out relatively easily, it will be possible to prevent an applicant obtaining protection for goods or services in which *prima facie* he has no intention of dealing.” 1976 EEC Report, *supra* note 62, § 82.

67. *Id.* § 95.

percent of applications filed were opposed. The extremely high percentage of opposed CTM applications demonstrates that the real cost of a CTM is much higher than may appear at first glance, and this cost is attributable in no small part to the incentives built into the CTMR for applicants to overclaim.

B. Incentives Resulting in the Proliferation of Unused or Underused CTM Registrations

The following incentives, among others, that encourage filing without any realistic possibility of use are present in the CTMR: the possibility of obtaining coverage based on class headings, rather than a specific description of the goods and/or services associated with the mark; provisions encouraging trademark owners to abandon national rights in favor of the CTM; and not allowing opposition on absolute grounds, instead requiring more costly cancellation actions.

It is understandable that the CTM became popular almost instantly, but *quaere*, at what cost?

C. Problems with the CTMR Resulting from Failure to Require Bona Fide Intent to Use

It is clear that the CTM system suffers from deadwood. Although the U.S. and Canadian systems are not immune, at least U.S. and Canadian law provides that no domestic applicant can register without proving use, and, furthermore, in the United States the scope of protection is closely tied to the use and/or notoriety or reputation of the trademark. The foregoing problems of the CTM are exacerbated by the fact that it is possible to obtain coverage in up to three classes for a single filing fee⁶⁸ and to specify the class headings. Ironically, far from encouraging the launch of new trademarks, the CTM impedes the launch of new trademarks, especially by small and medium-sized businesses. Moreover, unlike the Lanham Act, which requires proof of use in commerce between the fifth and sixth years following registration as a condition for validity, the CTMR contains no such condition. Also, whereas in the United States and Canada anyone can petition for cancellation for non-use before the USPTO or the Registrar of Trade-marks after three years from the date of the

68. Although it is reasonable to allow applicants to register in a plurality of classes given that some goods fall into more than one class, the incentive to overclaim could be reduced by lowering the filing fee for filing a CTM and requiring payment of additional fees if coverage is desired for more than one class of goods or services.

registration, in the case of the CTM a registration can be attacked for non-use only after five years from the date of the registration.

VII. CONCLUSIONS AND RECOMMENDATIONS

1. The CTMR should be amended to (a) require bona fide intent to use as a condition for filing; (b) make lack of bona fide intent to use a ground for cancellation or opposition based on bad faith; and (c) define “genuine use in the Community” as use of the CTM to a substantial extent throughout the EU, and not merely one country.⁶⁹

2. The present system of registration in up to three classes for a single filing fee should be replaced by a system that allows registration in one class for a reduced filing fee, with the option of adding additional classes upon payment of additional filing fees.

3. A CTM should be vulnerable to cancellation for non-use in an administrative proceeding before OHIM after three years from the date of the registration unless use can be proved in at least one EU country or in exports from the EU.

4. Subject to (6) below, a CTM can be relied upon in support of a ground of opposition if and only if the owner of the CTM can prove (a) bona fide intent to use for specified goods or services or (b) actual use of the trademark for specified goods or services in at least one country or in export trade.

5. A CTM should be enforceable against third parties only within the geographical area in which the trademark has been used or has acquired a significant reputation, provided, after five years from the date of the CTM registration, the owner of the CTM shall not be entitled to prevent use of a conflicting trademark adopted in good faith in any country in which the CTM had neither been used nor acquired a significant reputation prior to commencement of use of the conflicting trademark, and provided further the owner of the CTM has not acquiesced in the use of the conflicting trademark for a period of five years or more.

6. Between the fifth and sixth years following registration of a CTM, the owner of the CTM shall be required to file with OHIM verified proof of genuine use in the EU for specified goods or services. If such proof is not filed, the CTM shall be cancelled, but the CTM can be converted into one or more national registrations

69. Trademark owners in Europe have several options for protecting their trademarks: they can procure one or more national registrations, or obtain an International Registration specifying specific countries. Therefore, EU-wide protection provided by a CTM should be balanced by substantial use or notoriety in the EU, otherwise national protection is the more appropriate alternative.

provided the trademark has previously been used in each such country in which national protection is sought. Alternatively, if proof of use is filed for only some of the goods or services covered by the CTM, the CTM shall be amended to specify only those specific goods or services for which proof of use has been filed.

7. The Lanham Act should be amended to require foreign applicants relying on a home registration under Section 44(e) to have used the trademark somewhere prior to registration in the United States in relation to the specific goods and/or services.
