Good Faith in Canadian Trademark Applications

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Good Faith in Canadian Trademark Applications

David Vaver*

The liberty of the individual must be thus far limited; he must not make himself a nuisance to other people. – J.S. Mill, On Liberty (1869), ch 3

On June 17, 2019, a new ground of trademark invalidation and opposition took effect in Canada: that “an application [for registration] was filed in bad faith.”¹ This cryptic provision was enacted in 2018 to modify the package of 2014 amendments to the Trademarks Act that, when proclaimed into effect in 2019, radically changed Canada’s trademark system by allowing for the first time the registration of trademarks without evidence of use.²

This Comment explores why the bar on bad faith applications was enacted and how it may work in practice.

1. RATIONALE

After having its 2014 package of amendments enacted, the government realized that the resulting Act did not adequately prevent “cluttering and misuse” of

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¹ Trademarks Act, RSC 1985, c. T-13, ss. 38(2)(a.1) & 18(1)(e) ["Act"]. The words in square brackets appear in s. 18(1)(e) but not in s. 38(2)(a.1), where they are however clearly implied.

registrations. The lacuna had been spotted by a foreign applicant who had been operating for some time globally behind a plethora of companies. Starting in 2017, he or his nominees filed over 400 applications in Canada for famous marks and common words and names covering every conceivable business activity, i.e., the entire 45 Nice classes of goods and services. Whether any of these marks were ever in use was doubtful, but in any event an intention to use the entire portfolio in any sort of honest trade could hardly be claimed realistically.

The bar on bad faith applications enacted in 2018 effectively blocks this kind of abuse. It applies retrospectively to applications advertised from June 17, 2019 – which can then be opposed – and to registrations made from that date, which can be the subject of invalidation proceedings brought in the Federal Court by any interested person. Oddly, however, examiners cannot raise bad faith directly during prosecution, although they may perhaps be able to do so indirectly by querying the truthfulness of any application claiming too broad a

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5 Act, ss. 72 & 73 (invalidation) & s. 2 (def. “person interested”); s. 68.2 (opposition); see too Baker Petrolite Corp v. Canwell Enviro-Industries Ltd, 2002 FCA 158 at [17]-[23] & [27], on retrospectivity. The applications by Brandster Branding Ltd and other like applications filed by companies associated with the individual behind Brandster have mostly now been abandoned.

6 Ibid, s. 30(2).
range of goods or services for which a mark “is used or proposed to be used.”

The new bar is no doubt inspired by the similar provisions found in EU and UK trademark law and also by comparable provisions found in domain name registry rules. The bar vindicates the fundamental legal and moral principle that nobody should benefit from their wrong, which, as applied to trademarks, may be defined as attempting to use registration as a means to gain rights “in an improper manner or for an improper purpose.” Not only may cases such as that of the 400-application filer be caught; so too may less egregious abuses where applicants seek unfairly to interfere with the interests of others instead of merely advancing their own trading interests legitimately. Abusive applications may include those filed with one or more of the following

7 Ibid, s. 37(1)(a), raising s. 30(2)(a), entitling refusal of an application where the Registrar is satisfied that the application “does not conform” to requirements such as properly specifying goods and services for which the applicant intends to use the mark. Applications that cover wide classes of goods may thus be rejected where an applicant cannot possibly deal with them all honestly and can give no satisfactory explanation for their inclusion or extent: see, e.g., Cerverceria Modelo, SA de CV v Marcon, 2008 CanLII 88189 (TMOB) Cerverceria.

8 Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, art. 4(2); compare Trade Marks Act 1994 (UK), s. 3(6) (“A trade mark shall not be registered if or to the extent that the application is made in bad faith”). The Directive lacks the italicized words in the UK Act but has nonetheless been interpreted the same way: Sky plc v Skykick UK Ltd, [2020] EUECJ C-371/18 at [81] (Eur Ct J) Sky I.

9 See CIRA Domain Name Dispute Resolution Policy (Version 1.3, Aug. 22, 2011) at [3.5], providing examples of bad faith; online at www.cira.ca/assets/Documents/Legal/Dispute/CDRPPolicy1_3.pdf; http://www.cira.ca/assets/Documents/Legal/Dispute/CDRPrules1_4.pdf [CIRA DRP].

10 H. Broom, A Selection of Legal Maxims, 5th ed. (1870), 279 (a legal maxim “based on elementary principles ... fully recognized in courts of law and of equity, [which] admits of illustration from every branch of legal procedure”); Sec’y of State for Communities & Local Government v Welwyn Hatfield BC, [2011] UKSC 15 at [45]-[56] (deliberately false application for planning permission invalid); similarly in Canada, Bank of Montreal v Ng [1989] 2 SCR 429, 441 (“fundamental moral precept”).

11 CKL Holdings, above note 4 at [21]
purposes in mind:¹²

- to block an undertaking’s likely expansion;
- to retaliate against it or otherwise disrupt its business;
- to trade off the reputation of a locally well-known mark that may however be used only abroad;
- to take unfair advantage of a prior relationship or prior dealings with an affected mark owner or earlier user;
- to stockpile a mark or marks for future possible use;
- to prolong the life of an unused mark in danger of being expunged for non-use;
- to create “rights” to milk for their nuisance or negotiating value.

As we shall see, it is easier to list the sort of conduct that seems to offend notions of good faith than to articulate why it does so. The following Sections consider the tests that may be used to decide when bad faith should be found.

2. BACKGROUND

A concept of bad faith has historically been more prominent in UK than Canadian trademark law. It first arose in Victorian England as a reason to cancel or amend a registration based on an application filed for an unused mark in respect of which the applicant had no definite intention to use for the class of goods sought. Although nothing in the UK trademarks legislation specifically required applications to be made in good faith, the courts readily implied that

condition into the Act. As it was put in 1898 in *Re J. Batt & Co.’s Trade Marks*:\(^{13}\)

I take it to be clear that if persons register new Trade Marks which they say they intend to use, they must, at the date of registration, have a *bona fide* intention of using those Trade Marks in respect of the goods for which they register them. ... Indeed, one cannot help seeing the evils that may result from allowing Trade Marks to be registered [with] no real intention of using them, or only an intention possibly of using them in respect of a few articles. The inconvenience it occasions, and the costs it occasions, are very large, and ... would lead, in some cases, to absolute oppression, and to persons using the position they have as registered owners of Trade Marks, which are not really *bona fide* Trade Marks, for the purpose of trafficking in them, and using them as a weapon to obtain money from subsequent persons who may want to use *bona fide* Trade Marks in respect of some classes, in respect of which they find these bogus Trade Marks registered. ... Indeed, ... a system of trafficking appears to be carried on at the present day.

The Supreme Court of Canada followed Batt’s case in the early 20th century for registrations where the applicant lacked a definite intention to use the mark, although without employing the language of good or bad faith.\(^{14}\) Under the 1953 *Trade Marks Act*, the Registrar of Trademarks however started cautiously using the language of bad faith in rejecting applications where an applicant’s required statement that it was “satisfied” of its entitlement to use a mark could not possibly be true. If evidence showed that an applicant did not or could not really intend to use the mark applied for or was for other reasons barred from using it lawfully, the application was rejected during prosecution or opposition as fatally defective for including a statement of entitlement that must have been

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\(^{13}\) (1898) 15 RPC 262, 266 (Ch) per Romer J, aff’d *ibid* (1898) at 534 (CA), aff’d [1899] AC 428 (HL).

\(^{14}\) *Pugsley, Dingman & Co Ltd v Proctor & Gamble Co* [1929] SCR 442, 448; *Lightning Fastener Co Ltd v Canadian Goodrich Co Ltd* [1932] SCR 189, 199.
made in bad faith.\textsuperscript{15}

3. BAD FAITH DESCRIBED

The new amendments contained various new definitions and redefinitions but, curiously, none on bad faith. True, the comparable ground in the UK Act is equally undefined and British judges have said bad faith has “numerous manifestations and cannot be classified comprehensively:”\textsuperscript{16} the term comprises “chameleon words [that] take their content and their colour from their surroundings.”\textsuperscript{17} A definition could nevertheless have reduced potential areas of controversy. Thus the federal \textit{Bills of Exchange Act} and many provincial sale of goods statutes based on late 19\textsuperscript{th} century UK law define a good faith act for their purposes as something “in fact done honestly, whether it is done negligently or not.”\textsuperscript{18} By contrast, the more recent American \textit{Uniform Commercial Code} (“\textit{UCC}”) defines good faith as “honesty in fact and the observance of reasonable commercial standards of fair dealing.”\textsuperscript{19} This progressive expansion of meaning is also reflected in dictionary definitions. One defines bad faith as “treachery; intent to deceive,”\textsuperscript{20} another more broadly

\textsuperscript{15} \textit{Act}, above note 1, s. 30(i), repealed; see, e.g., \textit{Cerverceria}, above note 7, citing \textit{Sapodilla Co Ltd v Bristol Myers Co} (1974), 15 CPR (2d) 152, 155 (Reg. TM).

\textsuperscript{16} \textit{Trump}, above note 4 at [85](iv).

\textsuperscript{17} \textit{Harrison’s TM App’n (CHINAWHITE)}, [2004] FSR 13 at [14] (Pat Ct), aff’d \textit{Harrison v Teton Valley Trading Co}, [2004] EWCA Civ 1028 [\textit{Harrison}].

\textsuperscript{18} \textit{Bills of Exchange Act}, RSC 1985, c. B-4, s. 3; see also, e.g., \textit{Sale of Goods Act}, RSO 1990, c. S.1, s. 2(3).

\textsuperscript{19} \textit{UCC}, § 1-201(20).

\textsuperscript{20} \textit{Shorter Oxford English Dictionary}, 5\textsuperscript{th} ed (2002), 916,
as “dishonest or unacceptable behaviour.” It does not help that the phrase, if undefined, may mean one thing in one part of a statute and something else in another part, as was pointed out in respect of the current UK Trade Marks Act.

The Trademarks Opposition Board and ultimately the courts will have to develop a definition of bad faith by asking what the “content and colour” of bad faith is in the context of filing a trademark application, and what constitutes use of the trademark system “in an improper manner or for an improper purpose.” Pre-2019 Board decisions may be helpful in indicating instances of such improper filings, although no comprehensive definition of bad faith was ever attempted. Those responsible for the introduction of the new bad faith bar presumably expected decision-makers to draw from a number of other relevant sources. These may include the following:

- *Canadian copyright law.* This includes a reference to “bad faith” among the factors to be considered in assessing statutory damages for infringement. Bad faith there has been equated with “conduct that is contrary to community standards of honesty, reasonableness or fairness.”

- *Quebec law.* Concepts of good and bad faith are well established in the law of Quebec, where the Civil Code requires all civil rights to be exercised “in

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Harrison, above note 17 at [14] (Pat Ct). The scatterings of “good faith” and “bona fide” throughout the Canadian Act may similarly not carry the same meaning, nor even a meaning opposite to that of “bad faith” as that term is used in relation to the filing of an application.

23 Re CKL Holdings, above note 4 at [21].

24 Century 21 Canada LP v Rogers Communications Inc 2011 BCSC 1196 at [408] on s. 38.1(5)(a) of the Copyright Act, RSC 1985, c. C-42.
accordance with the requirements of good faith.”25 The concept of bad faith – i.e., a lack of good faith – has over time developed to extend beyond dishonesty and malice to include intent to injure and, as the Civil Code puts it, the exercise of one’s rights “in an excessive or unreasonable manner.”26 This last standard, applied to trademark applicants, would require them not to abuse their right of application and instead file the way a normally prudent and reasonable person would, viz., “in a spirit of fair play.”27

- **EU and UK trademark law.** Bad faith there requires the invalidation of registrations based on applications that have been filed either dishonestly or “unacceptably,” in the sense of falling below reasonable standards of fair dealing. This language sounds much like the standard of excessiveness or unreasonableness mentioned in the law of Quebec.

The considerable jurisprudence on the EU and UK standards deserves close examination, particularly because of the similarity between the EU and UK legislation and the Canadian provision. One may expect Canadian cases on bad faith to come out much the same as those in comparable EU and UK cases – but not always. Quite apart from where an EU or UK case is wrongly decided, one may expect some different results and reasoning because of significant differences in detail between Canada’s Trademarks Act and EU and UK

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25 *Civil Code of Quebec*, c. CCQ-1991, art. 6 [CCQ].

26 Ibid, art. 7; see also *Houle v Canadian National Bank* [1990] 3 SCR 122, 136ff, describing the historical development of abuse of rights and bad faith [*Houle*].

27 *Houle, ibid* at 152 & 158; *Bhasin v Hrynew* 2014 SCC 71 at [83] (contractual duty) [Bhasin]; see too *TV Guide c Publications La Semaine Inc* (1984) 6 CIPR 110 at 122 & 127 (Que CS) [TV Guide], where “spiking a competitor’s guns” a few days before its announced product launch was the employment of means that were contrary to honest practice (“des moyens contraires aux honnêtes usages”).
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trademarks legislation. Also, as with fair dealing in the law of copyright, issues of fair play are very fact-dependent — a “question of degree” and “matter of impression” ultimately “grounded in social and moral values.” Such values may well vary over time and place.

It is nevertheless useful – as Quebec, the EU and the UK all do – to divide our discussion of bad faith initially into “dishonest” and “unacceptable” conduct and consider how such standards may operate in Canadian law.

(a) Dishonest Conduct

To assess a trademark applicant’s conduct, EU and UK courts typically first ask whether the filing was subjectively dishonest — the narrow dictionary definition of “bad faith.” Two further questions then arise: (i) when filing, what did the applicant subjectively know, believe, and intend in fact, including what they chose to be wilfully or recklessly blind to; (ii) with that state of mind, would their conduct in filing be considered dishonest by ordinary decent people? If so, the applicant filed in bad faith. If no, one goes on to consider the “unacceptable conduct” branch of bad faith: did the applicant's conduct in filing fall short of acceptable commercial behaviour observed by reasonable and

28 Hubbard v Vosper, [1972] 2 QB 84 at 94 (CA), cited with approval in CCH Canadian Ltd v Law Society of Upper Canada, [2004] 1 SCR 339 at [52].


30 Compare Caja Paraguaya de Jubilaciones y Pensiones del Personal de Itaipu Binacional v Garcia 2020 ONCA 412 at [34]-[7].

31 Ivey v Genting Casinos (UK) Ltd (t/a Crockfords) [2017] UKSC 67 at [74]; similarly R v Théroux [1993] 2 SCR 5 at [22].
experienced people in that field? Dishonest behaviour will of course always be unacceptable, but not all unacceptable behaviour is dishonest: passing-off or breach of a legal or moral duty are obvious examples.

In proceeding this way, however, EU and UK courts seemingly divide bad faith into two separate but equal components: (a) dishonesty and (b) unacceptable conduct. One might, perhaps more logically, reverse the order of these concepts and treat bad faith as (a) unacceptable conduct, and (b) dishonesty as a species of such conduct. Doing so may shift the focus away from always having to probe an applicant’s subjective intent: one would instead first consider the applicant’s conduct objectively. The result may reduce the costs of the inquiry, for if an applicant’s conduct is objectively unacceptable, dishonesty should matter only where elevated costs are sought. One particular trap into which EU and UK courts have fallen may also be avoided: that of injecting dishonest intent into the concept of unacceptable conduct – a question to which we now turn.

(b) Unacceptable conduct

An issue to consider in deciding whether an applicant has acted unacceptably is the state of their knowledge. Should acceptability be judged objectively, according to what the applicant ought, acting reasonably, to have known or believed? Or should it be judged subjectively, according to what the applicant

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32 Maslyukov v Diageo Distilling Ltd [2010] EWHC 443 at [36]-[7] & [43] (Ch) [Maslyukov]; see too UCC § 2-103(b): “’Good faith' in the case of a merchant means honesty in fact and the observance of reasonable commercial standards of fair dealing in the trade” (emphasis added).

33 See, e.g., Sky I, above note 12 at [74] & [77].


35 HomeAway.com Inc v Hrdlicka 2012 FC 1467 at [37] [HomeAway.com].
actually knew or believed? American commentary on good faith under the *UCC* puts the point picturesquely by asking whether good faith should be found if the heart is pure and (or perhaps because) the head is empty.\(^{36}\)

In struggling with such questions, EU tribunals have, somewhat confusingly, created a hybrid subjective/objective test: an applicant’s conduct should be judged objectively, but only against what the applicant knew or must be taken to have known. Subjective intention should thus be assessed “by reference to the objective circumstances of the particular case.”\(^{37}\)

This way of stating matters can be seen in the leading English Court of Appeal decision in *Harrison v Teton Valley Trading Co* in 2004.\(^{38}\) The court started off by firmly rejecting the “pure heart” approach: if dishonesty were the test of bad faith, “then that word would have been used.”\(^{39}\) The court then went on to say that the applicant’s knowledge would include what he “ought to have known [according to] persons adopting proper standards.”\(^{40}\) But that apparently objective test suddenly took a subjective turn. Even though the court had just distinguished dishonesty from bad faith, it circled back to discuss what dishonesty meant. Two of the three judges concluded that “the words ‘bad faith’ required consideration of the mental state of the applicant.” The third judge, although concurring in finding bad faith, thought that “reprehensible” conduct, not “conscious dishonesty”, sufficed: for her, an applicant, though pure of heart,

\(^{36}\) M. Moses, “The New Definition of Good Faith in Revised Article 1” 35 UCC LJ 47, 48, speaking of the test once adopted under UCC § 1-201(20).


\(^{38}\) Above note 17.

\(^{39}\) *Harrison*, *ibid* (EWCA) at [20].

\(^{40}\) *Ibid* at [27].
might nevertheless act in bad faith.\footnote{Ibid at [32] & [46], discussing Re DAAWAT Trade Mark [2003] RPC 187 at [96] (UK App Person); compare Harrison, \textit{ibid} at [41] per Arden LJ (now Lady Arden, UKSC), dissenting on this point.}

The case was not further appealed but the majority’s reasoning was immediately criticized as illogical by a lower tribunal, which nevertheless felt bound to follow it as best it could.\footnote{“I do not find this exposition of the law easy to understand”: \textit{Re Robert McBride Ltd’s TM App’n}, Case No 0-355-04 (Nov. 22 2004, UK App Person) at [27]ff, per Arnold QC (now LJ) pointing out its inconsistencies.} The majority view came to be taken up by the European Court of Justice (ECJ), which, however, curiously justified its reasoning partly by claiming that the “usual meaning in everyday language” of bad faith presupposes “a dishonest state of mind or intention.”\footnote{\textit{Sky I}, above note 12 at [74].} The objection that had dishonesty been intended, “that word would have been used,” was simply ignored. UK courts, being bound by the ECJ on such matters, diplomatically said nothing more about the “usual” meaning of a common English word and followed the ECJ line.\footnote{\textit{Walton Int’l Ltd v Verweij Fashion BV} [2018] EWHC 1608 at [186][vi] (Ch), per Arnold J. EU tribunals continue to make heavy weather of the relationship between actual and constructive knowledge: e.g., \textit{Cuervo y Sobrinos 1882 v EUIPO} [2018] EUECJ T-374/17 at [53]-[9] (ECJ).}

What of Canadian law? Should the unacceptable conduct limb of bad faith be interpreted subjectively, objectively, or according to some hybrid subjective/objective test? The following considerations suggest that a fully objective test is preferable:

- One purpose of the bar on bad faith applications is to protect the public and other right-holders and users of trademarks against the effects of abuse of the registration system. Those effects depend on the objective facts of a case, whatever the applicant’s knowledge or intent.
A further purpose of the bar must be to promote good practice by trademark applicants, such as, before filing, taking competent professional advice and conducting competent searches for potential conflicting interests.\(^{45}\) Failing to do either suggests behaviour that does not occur “in a spirit of fair play:” it falls below the standards expected of a normally prudent and reasonable person, whether they be in trade or not. That standard fits comfortably with the concept of objective bad faith as understood in Quebec law, where acts done “in an excessive or unreasonable manner” are stigmatized.\(^{46}\)

A purely objective test also gains support from the pragmatic consideration that “[t]he less legal rights depend on someone’s state of mind, the better”\(^{47}\) – for “even the Devil has not knowledge of man's thoughts.”\(^{48}\) Such considerations underlie much of Canadian civil law, including that of trademarks. Thus, subjective knowledge or intention is irrelevant in proving confusion when considering title, registrability, or infringement; nor is knowledge or intent required to establish passing-

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\(^{45}\) *Redd Solicitors LLP v Red Legal Ltd* [2012] EWPCC 54 (Pat Co Ct), holding that a failure to undertake a competent trademark search is contrary to “honest practices in industrial and commercial matters,” thus eliminating a defence to infringement under what are now arts. 14.1(a) & 14.2 of the *Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark*.

\(^{46}\) *CCQ*, above note 25, arts. 6 & 7; *Houle*, above note 26 at 152 & 158.


off under the Act, common law, or the law of delict.\textsuperscript{49}

- EU tribunals have sometimes treated bad faith as “not substantially different” from the requirement in the Paris Convention for the Protection of Industrial Property that traders not act “contrary to honest practices in industrial or commercial matters.”\textsuperscript{50} They have, however, not fully assimilated the consequences of this view into their understanding of bad faith. The Convention imposes “a duty to act fairly” – not merely honestly – having regard to the legitimate interests of right-holders.\textsuperscript{51} The focus is on the honesty of the practice rather than the practitioner.\textsuperscript{52}

- An objective test promotes certainty by making it easier to hold particular sorts of conduct abusive, while simultaneously leaving room to include other conduct where an applicant has been found to have acted dishonestly.

4. GUIDELINES

Some of the following guidelines drawn, as seems useful, from Canadian, EU, and UK practice, may assist in deciding issues of bad faith:\textsuperscript{53}

\textsuperscript{49} Mattel, Inc v 3894207 Canada Inc [2006] 1 SCR 772 at [90] [\textit{Mattel}].

\textsuperscript{50} \textit{J. Choo Ltd v Soochi Ltd}, Case No R633/2007-2 (OHIM 2\textsuperscript{nd} Bd Appeal, Feb. 29, 2008) at [24], referring to art. 10bis(2) of the Paris Convention (Brussels rev 1934), at \url{ww.wipo.int/treaties/en/}; see too N. Dawson, above note 12 at 248 (bad faith is an “inbuilt unfair competition rule”).

\textsuperscript{51} \textit{Maier v Asos Plc}, [2015] EWCA Civ 220 at [147].

\textsuperscript{52} A point equally made in \textit{S & S Industries v Rowell} [1966] SCR 419, 425ff when considering s. 7(a) of the Act proscribing injurious falsehood. Subsection 7(a) implements art. 10bis(3)(2) of the Paris Convention, above note 48, which is a specific instance of the general Convention duty to act according to honest practices (art. 10bis[2]). The court distinguished s. 7(a) from injurious falsehood at common law: the latter requires some form of malice, the former does not.

Bad faith as an independent ground of opposition or invalidation should be clearly pleaded and particularized. It may succeed even if another ground would not. Thus an application may be rejected for bad faith even if no confusion exists between the applicant’s and opponent’s trademarks.\footnote{Cipriani, above note 34 (EWHC) at [186].}

Bad faith is not presumed: it must be proved on a balance of probabilities on evidence that is sufficiently clear, convincing and cogent.\footnote{F.H. v McDougall 2008 SCC 53 at [40] & [45]-[6].} Circumstantial evidence and inferences from proved facts may suffice;\footnote{Compare Beijing Jingdong 360 Du E-Commerce Ltd v Zhang 2019 FC 1293 at [23]-[4] [Beijing Jingdong].} hearsay and conjecture will not.\footnote{Domaines Pinnacle Inc v Les Vergers de la Colline 2016 FC 188 at [68], aff’d 2016 FCA 302.}

The following questions may be put: (a) what specifically was the applicant’s objective in filing; (b) is that something for which an application could properly be filed; (c) was the application in fact filed to pursue that objective?\footnote{Re Robot Energy Ltd’s Trade Mark App’n, Case No O/308/20 (Jun. 2, 2020) at [57] (UK App Person).}

The whole picture surrounding the filing of the application should be considered, including the kind of mark applied for and how far registration and use may harm other traders. For example, bad faith may be found more easily where the mark comprises a product shape already used by others, where the registration may well be used to harass legitimate competitors.\footnote{Chocoladefabriken Lindt & Sprungli v Franz Hauswirth GmbH [2009] EUECJ C-529/07 at [50] (ECJ).}
- While bad faith is assessed as at the date of filing, later evidence may be relevant. For example, a plea of bad faith that fails in opposition may succeed in invalidation proceedings because post-registration evidence may clarify the real reason for the application.
- Neither the complainant’s motives nor the applicant’s overall commercial morality are, however, relevant: the inquiry cannot “veer into a form of ad hoc judicial moralism.”
- The conduct of any entities associated with the applicant may be relevant, especially where the applicant is really their agent, nominee, or affiliate.
- Other applications for registration or expungement in Canada or abroad by any associated entity may thus be considered.
- Bad faith may exist in respect of only part of the application: that part may be excised and the remainder will stay valid. Thus a filing for computers and beer where the intention is to market computers now but beer only in the indeterminate future is valid for computers but may be struck for beer. The assertion that bad faith is incurable therefore must apply only to applications or registrations that cannot be amended to drop the offending part.
- A decision on bad faith involves a question of mixed fact and law and so

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60 Pentastar Transport Ltd v FCA US LLC 2020 FC 367 at [45]-[50] [Pentastar]; Red Bull, above note 53 at [131]-[2].

61 Bhasin, above note 27 at [70]; see also Maslyukov, above note 32 at [43].

62 Trump, above note 4 at [39]-[43] & [46].

63 Sky I, above note 12 at [81]; Sky Plc v Skykick UK Ltd [2020] EWHC 990 (Ch) [Sky II]; Roots Corp v YM Inc (Sales) 2019 FC 16 at [67]-[71].

64 Maslyukov, above note 32 at [50]. An action for passing-off may however succeed despite an invalid registration.
deserves deference on appeal if no extricable error of law is present.65

5. EXAMPLES

The kind of applications that may be considered as filed in bad faith has already been indicated above in Section 1. In all of them, the applicant’s behaviour in filing the application was inconsistent with that expected of a normally prudent and reasonable person wishing to engage with the trademark system. That system expects applicants to seek registration to further their own legitimate trading interests, not to achieve purposes such as:

- blocking another undertaking’s likely expansion;
- retaliating against it or otherwise disrupt its business;
- trading off the reputation of a locally well-known mark that may however be used only abroad;
- taking unfair advantage of a prior relationship or prior dealings with an affected mark owner or earlier user;
- stockpiling a mark for future possible use;
- prolonging the life of an unused mark in danger of being expunged for non-use; or
- creating “rights” to milk for their nuisance or negotiating value.66

As indicated, such manoeuvring is not unknown in Canada. Take, for example, the case of the applicant who sought to register a slew of famous marks for alcohol — ABSOLUT, HEINEKEN, CANADIAN CLUB, COORS, DOM PÉRIGNON, etc — and claim

65 E.g., Pentastar, above note 60 at [61]ff.

66 E.g., HomeAway.com, above note 35 at [37]; Melly’s TM App’n (fiann fail & fine gael Trade Marks) [2008] RPC 454 (UK App Person); Paris Convention, above note 50, art. 6bis(3). See further text below accompanying notes 75ff.
them for non-alcoholic products. The affected companies all opposed registration and, unsurprisingly, all won.\(^{67}\) Such an application could today be straightforwardly rejected for bad faith. So should applications for multiple marks across multiple classes of goods and services where the applicant could not possibly run a legitimate business over the whole range.\(^{68}\) So should applications for even a single mark over multiple disparate classes be rejected where the applicant intends to do business in only a few. Putting a *cordon sanitaire* round a mark to deter traders from marketing products remote from the registrant’s business was treated as bad faith in the UK, and the registration was trimmed accordingly.\(^{69}\) On the other hand, it is not necessarily bad faith for a concurrent user to apply for registration even where it knows of other users: which of them, if any, is ultimately entitled to registration may be doubtful at time of filing and the case thus may be better decided on grounds other than bad faith.\(^{70}\)

An allegation of bad faith may – as in *Batt’s* case above\(^{71}\) – charge that an applicant lacks any genuine intent to use the mark now or soon or lacks title to use it.\(^{72}\) This engages the statutory requirement in subsection 30(1) of the *Act* that applicants “propose” to use a trademark, in the sense of their having “a resolved or settled purpose” to use it held at the time of application – not “a

\(^{67}\) *Cerverceria*, above note 7; see also *Brown-Forman Corp v Marcon* 2013 TMOB 191.

\(^{68}\) E.g., the Brandster Branding Ltd issue: see notes 4 & 5 above.

\(^{69}\) *Sky I*, above note 12 at [81]; *Sky II*, above note 63.


\(^{71}\) Above note 13.

\(^{72}\) See *Act*, s. 30(1).
mere problematical intention [or] uncertain or indeterminate possibility.”

The other statutory requirement in subsection 30(1), that of applicants’ being “entitled” to use the mark, should bar applications where:

(i) another person owns the mark or is an earlier user in Canada;
(ii) the mark is well known in Canada, albeit through third party use abroad;
(iii) the mark’s use would violate a statute or regulation, or
(iv) its use could be stopped by an injunction for, e.g., passing-off, commercial appropriation of personality, or violation of an intellectual property right.

The 2019 amendments do not suggest any intention to reverse the Opposition Board’s practice of rejecting applications in such cases where an entitlement to use a mark could not reasonably, appropriately, or honestly be claimed. Nor, on the other hand, is any intention indicated of interfering with the common Canadian (and indeed worldwide) practice whereby different traders adopt the same mark in different territories or for different goods or services, so long as the public would not likely believe that the same trader vouched for both products or was connected with the other trader. For example:

- A may apply for BLOBBY for refrigerators, knowing it is used for them by M in Mexico but unused and little known in Canada. A’s registration may

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73 *Re Ducker’s Trade Mark* (1928) 45 RPC 397, 402 (CA). Similarly in a non-trademark context, it was held that an intention to do something “connotes a state of affairs which [a person] decides, so far as in him lies, to bring about, and which, in point of possibility, he has a reasonable prospect of being able to bring about, by his own act of volition”: *Betty’s Cafés Ltd v Phillips Furnishing Stores Ltd* [1959] AC 20, 34 (HL) (“intention” is here the same as “proposing” (*ibid*, 49)).

later legitimately stop M’s expansion into Canada under that mark. Foreign priority does not by itself prevent local registration by others.⁷⁵

- A cannot however apply for BLOBBY if the mark is unused but sufficiently known in Canada – even if not technically “well known”⁷⁶ – so that potential refrigerator buyers in some part of Canada would likely believe that BLOBBY designates M or someone licensed by M.⁷⁷

- Within Canada BLOBBY can similarly be used by A for refrigerators and later used and registered by Q for boots. Consumers would likely not be confused: they would think A’s expansion into boots “a leap too far.”⁷⁸

Additional facts could change this last scenario. Assume, for example, that Q uses WIGGLY for its boots but applies to register BLOBBY for boots after one of the following events happens:

- A tweets that it is planning to expand into boots.⁷⁹

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⁷⁵ Santa Barbara Restaurant Group, Inc v Veto 2014 TMOB 286 at [31]-[3]; USA PRO IP Ltd v Courtaulds Textiles America, Inc 2018 TMOB 90 at [21]-[3] [USA PRO]. Similarly in the US, Person’s Co Ltd v Christman 900 F 2d 1565 (Fed Cir 1990); but see Belmore LLC v Bayer Consumer Care AG 819 F 3d 697 (4th Cir 2016), cert den 137 S Ct 1202 (2017) (passing-off claim possible).

⁷⁶ Act, above note 1, s. 5; Paris Convention, above note 50, art. 6bis(3).

⁷⁷ AJIT WEEKLY TM, [2006] RPC 633 (UK App Person); compare the ongoing Canadian saga over the AJIT trademark: Sadhu Singh Hamdard Trust v Navsun Holdings Ltd, 2018 FC 42 at [19], aff’d 2019 FCA 10, leave to appeal dismissed 2019 CanLII 62558 (SCC); Sadhu Singh Hamdard Trust v Navsun Holdings Ltd, 2019 FCA 295; also Homeaway.com, above note 35 at [37].

⁷⁸ Mattel, above note 49 at [8].

⁷⁹ Compare TV Guide, above note 27 (similar conduct by Q held unfair competition); Reckitt Benckiser LLC v Jamieson Laboratories Ltd, 2015 FC 215 at [42] & [46], aff’d 2015 FCA 104 (pre-trial injunction granted: intent relevant to equitable discretion); Glaxo Plc v Glaxowellcome Ltd,[1996] FSR 388 (Ch) [Glaxo] (pre-trial injunction granted); Gaines Animal Foods Ltd’s TM App’n [1958] RPC 312 (UK TMO) (application rejected in TMO’s discretion).
• A applies to extend BLOBBY’s registration to boots but withdraws its application because it puts boot expansion on hold meanwhile.\(^8^0\)
• Q successfully opposes A’s application to extend BLOBBY to boots.\(^8^1\)
• Q unsuccessfully negotiated with A for a licence to make boots like A’s.\(^8^2\)
• Q unsuccessfully negotiates with A to buy into its business.\(^8^3\)

Past tribunals in such cases have criticized Q's conduct as bad faith, or for similar reasons have denied its registrability where the legislation did not explicitly make bad faith a ground of objection. The interesting question is: which, if any, of Q's applications could today be rejected in Canada for bad faith without engaging in “ad hoc judicial moralism”? What of the two following variations on our A/Q case?:

• A’s registration includes boots but A does not use BLOBBY for boots. Q starts using the mark for boots after having the registration for boots expunged by the TMO for A’s non-use. Is Q’s act any different from the example above where Q starts use after successfully opposing A’s extension of its refrigerator registration to include boots?
• A puts BLOBBY on the shirts of a soccer team it sponsors. Q now applies to register BLOBBY for boots using the same Bodoni font in which A’s mark is registered and used. A UK tribunal found no bad faith although Q clearly

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\(^8^0\) Brown Shoe Co Inc’s Rectification App’n [1959] RPC 29, 33-4 (application rejected in court’s discretion).

\(^8^1\) Re Vitamin Ltd’s TM App’n, [1956] RPC 1, 12-3 (Ch) (pharmaceuticals: discretion exercised to reject application in public interest).

\(^8^2\) Caramel Apple Granny (Trade Mark: Opposition) [2000] UKIntelP o12300, pp 20-1 (TMO) (claim to ownership of A’s mark not bona fide); similarly Taste of BC Fine Foods Ltd v Au-Yeung 2015 TMOB 161 at [35]-[41], aff’d 2017 FC 299 at [43]-[4] (claim inappropriate).

\(^8^3\) USA PRO, above note 75 at [21]-[3].
intended to benefit from the association: A suffered no harm. Is harm to any entity necessary or does harm merely to the integrity of the trademark system suffice?

Or what of a case where X runs a tourist attraction abroad as BLOBBY which is visited by many Canadians, where Y gets to know of X's attraction, opens a similar one in Canada under the BLOBBY mark, and persuades some of X's staff to join Y's operation: may Y register BLOBBY in Canada? Such a registration was allowed before 2019 because the Act then did not allow the court to apply a “'rotten guy' principle.” Given that the “rottenness” seemed to apply only to the applicant’s conduct in filing for registration rather than its general commercial morality, would such an application today be invalid as being filed in “bad faith”?

6. CONCLUSION

Given the government's decision to shift to a registration system where use may be postponed for 3 years or more after registration, the enactment of a bar banning bad faith applications was generally welcomed as somewhat of a relief. It is nevertheless regrettable that little, if any, consultation with interested parties preceded the bar's introduction. Issues such as those raised

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84 BEKO (TM: Opposition) [2010] UKIntelP o30710 at [90] (App Person), obiter; cf Vibe Ventures LLC v 3681441 Canada Inc 2005 FC 1650 at [48].


86 The words used in Enterprise Rent-A-Car Co v Singer (1996) 66 CPR (3d) 453, 482 (Fed TD), aff’d (1998) 79 CPR (3d) 45 (Fed CA), to characterize the conduct in Marineland, previous note.

87 See Act, s.53.2(1.1), not proclaimed at date of writing. Invalidation for abandonment before expiry of the 3-year period is nevertheless possible: see, e.g., Beijing Jingdong, above note 56 at [24] (invalidated 12 months after registration).
in this Comment could then have been ventilated and clarified. Greater clarity will no doubt emerge over time as the Board and the courts start deciding cases, but some of the costs and inconvenience that this process will impose on the trademark system’s users could have been easily avoided with some forethought.

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