

Bad faith trademark filing: a theoretical perspective

Souichirou Kozuka
Gakushuin University

Looking into the history

- The saga of Tokyo Gas case (SC 29 Sept. 1961)
 - Trade name filing with the Ministry of Justice
 - Companies Act art.8 (1): prohibition on the use of a trade name with a “wrongful purpose”
 - When Tokyo Gas considered moving its head office to another ward in Tokyo, another person filed the trade name “Tokyo Gas” in that ward.
 - Supreme Court upheld the lower court’s finding that the filing was made with a wrongful purpose.

Lessons from the saga

- The provision was enacted to prevent a trade name causing confusion among the public.
- The court interpreted “wrongful purpose” more widely to squash bad faith behavior (with the intent of greenmail).
- Still other type of “wrongful purpose” was the issue in a more recent case. (IP AC, 13 June 2007)
 - Intention of free riding was the issue in a dispute between “Sports Marketing Japan” and “Japan Sports Marketing”
 - No such intention found, given (among others) that the trade marks consisted of generic words.

Questions to be asked

1. What is “bad faith” in filing a trademark?
 - “Bad faith” implies that the behavior is something to be prevented: the question is what is included, not whether it is to be prohibited.
2. What argument is available in suppressing bad faith filing?
 - How would the court have done, were it not for the provision on trade name use with “wrongful purpose”?
3. What procedure best addresses the problem?
 - Trademark is registered after examination, while filing of a trade name in Japan is not examined.

What is “bad faith” in filing a trademark?

Certain types of bad faith filing

1. Unrelated applicant's filing of a well known trademark (possibly with the intent of greenmail)
2. A dispute among business partners
 - The agent “stealing” the principal's trademark
 - Breakup of a joint enterprise
3. A tradename that should be “commons”
 - Geographical name; famous figure of the region

Finding who the true holder is

- Case of a dispute among business partners
- It is required to determine whose mark it is.
 - The manufacturer is not always the owner of the mark – “Virgin & Pink” case (IP AC 30 June 2010)
- Need to examine the facts of the dispute
 - e.g. IP AC 30 March 2010 – “Sportec” case



A trademark as commons

- No one party should monopolize the word what is “commons” of some people
 - Tokyo AC 29 Nov. 1999 (母衣旗 - Horohata): an old geographical name (but no longer so) cannot be registered as against good morals
 - IP AC 20 Sept. 2006 (Ann of Green Gables): filing by the alleged licensee was found to be against international comity and rejected
 - Whether the alleged rightholder (local community) is open and non-discriminatory will be questioned.

Filing by an unrelated party

- An easier case: filing a foreign well known mark ahead of the trademark owner
 - Still the applicant could allege being innocent
 - IP Ac 17 Sept 2008 (“US Bear”): the applicant found to habitually commits filing a well known foreign mark and licensing it
- More difficult case: parody
 - IP AC 12 July 2010: what if the mark was a parody?



What argument is available in suppressing bad faith filing?

Specific provision and general rule

- Under the Japanese Trademark Act:
 - Filing of a mark identical with or similar to a well known mark (whether domestic or foreign) with the wrongful intent is rejected. (Trademark Act art.4 (1) 19)
 - Introduced in 1996
- Prior to 1996, JPO used to find filing n bad faith as against “good morals” (Trademark Act art. 4 (1) 7)

Equity vs predictability

- Specific provision cannot foresee every type of “bad faith”
- Flexible regulation by general principle is appreciated; disadvantage is the lack of predictability (arbitrary application)
 - Whether “good morals” must be restrictively used?
 - Avoiding overlap is necessary; but not necessarily, unless the legislative intent is to limit the case of “bad faith” (cf. IP AC 26 March 2014)

What procedure best addresses the problem?

Which stage of procedure is the best?

- Procedure before the court
- Review of the initial examination
- Examination of filing by the Patent/Trademark Office
 - Is the earlier, the better?
 - Effectiveness depends on the resources (incl. numbers of lawyers, patent attorneys, in-house staffs)
 - Nature of the procedure: involvement of parties

Capability and access to information

- For Patent/Trademark office,
 - it will be easier to judge “stealing” case – evidence on how famous the mark is will be provided by the allegedly true owner.
 - more difficult to judge a dispute among business partners – evidence on how parties had behaved is required.
 - information submission system can be useful, if bad faith filing is to be addressed at the initial examination.

Conclusion

How to approach bad faith filing?

- “Bad faith filing” is the answer, not the question.
- After all, what interests should be protected by the trademark law is asked.
 - The interest of the “true” rightholder (who claims that its trademark was “stolen”)
 - The fair competition / free entry into the market
 - Trademark could be used as obstacle to entry.
 - The public
 - Bad faith filing can lead to misleading marks.