

Could This Decision Be A Game Changer For Brand Owners?

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In a recent decision, the Board of Appeal of the European Union Intellectual Property Office held Hasbro's MONOPOLY registration partially invalid. This decision, if it is not appealed, will have a significant impact on businesses' brand protection strategies.

The five-year grace period

EU Trade Mark owners are afforded a five-year grace period from registration, during which they can enforce their mark without being required to prove use for the registered goods and services. Once this period has expired, owners may be obliged to provide evidence that they have used the mark in commerce in order to rely on those rights against third parties. Therefore, historically trade mark proprietors have, as a common practice, sought to in effect re-set the non-use grace period by re-filing their marks prior to the expiry of the five-year term.

Background of dispute

Hasbro owns a number of EU trade mark registrations dating from 1996 to 2008 for the famous MONOPOLY mark for goods and services in Classes 9, 16, 25, 28 and 41. All such marks are subject to the proof of use provisions by virtue of five-years' registration (the "Vulnerable Marks").

In 2010, Hasbro re-applied for the same MONOPOLY mark in Classes 9, 16, 28 and 41, which included the goods and services of the Vulnerable Marks together with additional terms not covered by its original registrations (the "Contested Goods and Services").

The cancellation applicant, Kreativni, filed an application for a declaration of invalidity against the Contested Goods and Services on the ground of bad faith, on the basis that the new filing - as far as it related to the Contested Goods and Services - was simply a repeat filing of the Vulnerable Marks for the same and additional goods and services. Article 59(1)(b) of the EU Trade Mark Regulations (the "EUTMR") provides for invalidation on the ground of bad faith, which is applicable where, essentially the mark in question was filed contrary to honest commercial and business practices. Therefore, Kreativni contended that Hasbro had acted with *dishonest intention* when filing for the Contested Goods and Services, alleging it sought essentially to re-set the non-use period in respect of its Vulnerable Marks.

At first instance, the Cancellation Division, applied existing case law and held in favour of Hasbro, dismissing the bad faith claim on the basis that "*applying for a large variety of goods and services is common practice for companies trying to obtain an EUTM registration.*" On the same basis the Cancellation Division also dismissed Kreativni's contention that the burden of proof should not be on the cancellation applicant to demonstrate bad faith conduct, but on Hasbro to show genuine commercial reasons for the filing of the Contested Goods and Services.

The Board of Appeal decision

Kreativni appealed the Cancellation Division's decision and the case was sent to the Second Board of Appeal (the "BoA"). Unlike the Cancellation Division, somewhat contentiously the BoA took the view that it was for Hasbro to show it had acted in good faith when it filed for the new trade mark, thereby reversing the burden of proof and effectively obliterating the long standing presumption of good faith in such matters. In particular, the BoA held that where a cancellation applicant relies on objective factors in support of its bad faith claim, those facts could serve to instead establish a presumption of bad faith, which the trade mark proprietor would then be obliged to rebut in order to maintain its registration. As such, given that Kreativni had demonstrated that Hasbro had filed for the same mark, alleging consequently that Hasbro had acted in bad faith when filing for the Contested Goods and Services, Hasbro found itself in the unique and challenging position as trade mark owner, of justifying its filing strategy with evidence in order to re-establish its good faith intentions.

In practical terms, therefore, contrary to the previous approach adopted consistently through-out the EU, in a claim of bad faith premised on an allegation concerning the use of repeat filings to circumvent the non-use provisions, the burden will almost always *prima facie* fall on the trade mark owner to justify its filing strategy. The shift in the burden of proof is clearly fundamental, given that it may not be so easy to demonstrate clear legitimate commercial reasons to reapply for the same mark for the same or broader goods and services.

Hasbro contended that its application for the Contested Goods and Services was necessary, with the broader specification warranted in order to expand the MONOPOLY brand in line with technological developments, coupled with the potential change in commercial direction. As such, a repeat filing for the same trade mark for additional goods and services within the specification did not *prima facie* depart from honest commercial and business practices. However, the BoA was clear that where the repeat filing for a trade mark included identical goods and services, this was not acceptable practice, and the fact that additional, new, goods and services were also included in a fresh application did not change that fact, absent some other legitimate explanation.

In its evidence, Hasbro acknowledged that the purpose of filing for the Contested Goods and Services was to “*limit administrative burden*” and that repeat filings were “*common commercial practice*”, therefore essentially repeating the observations of the Cancellation Division and many decisions before it.

However, these statements in evidence proved conclusive in the eyes of the BoA. In the BoA’s view Hasbro had failed to justify, with evidence, that it had applied for the Contested Goods and Services for a particular commercial reason, thereby preserving an assumption that it was simply re-setting the non-use clock. The BoA observed several factors, which, in its opinion, demonstrated that the intention of Hasbro’s application for the Contested Goods and Services was in fact to avoid the risks associated with a mark that was subject to proof of use requirements. The BoA noted that if it had filed for the Contested Goods and Services to avoid administrative burden, Hasbro would have more than likely surrendered the Vulnerable Marks, given the renewal and maintenance fees of those identical earlier marks. The BoA also noted that Hasbro had been using the Vulnerable Marks in recent oppositions.

As such, Hasbro’s filing strategy was deemed unacceptable by the BoA and contrary to the principles of the EUTMR. According to the BoA, Hasbro’s use of the filing system was an abuse of law, actively creating a situation in which it would not have to prove genuine use for goods and services it had registered, but not used. Therefore, the goods and services that were filed in duplicate were held invalid on account of bad faith, with the remaining “additional” goods and services adjudged to have been filed with legitimate commercial intent.

Whilst the EUIPO operates a first to file system, it is important to appreciate the over-reaching principle of the EUTMR, namely to promote effective competition in the market. This is well illustrated at Recital 24 of the EUTMR which states that: “*There is no justification for protecting EU trade marks or, as against them, any trade mark which has been registered before them, except where the trade marks are actually used.*” As the BoA set out in its decision, that recital promotes the principal aim within the regulations of avoiding the unjustified obstruction of competition, keeping the register free of marks that are not used by their owners.

That said, there is no requirement within the EU Trade Mark system to have a bona fide intention to make use of a mark within the first five years of registration. Article 58(1)(a) of the EUTMR adds balance by providing a mechanism to revoke a trade mark if it has not been put to genuine use after five years of registration, thereby avoiding unjustified obstructions of competition once an owner has had adequate time to make use of its registration. The MONOPOLY decision, as it currently stands, suggests that applying to invalidate a mark on the ground of bad faith is an additional, and presently more advantageous route, to prevent brand owners attempting to avoid the non-use provisions. This decision is likely to therefore apply pressure on trade mark owners to justify their filing strategies in order to avoid being held to have acted in bad faith on the basis of assumption alone.

Pelikan decision

In light of the MONOPOLY decision, it is helpful to revisit a previous authority on this point, in order to undertake a comparative analysis. Pelikan (Case T 136/11 pelicantravel.com s.r.o. v OHIM) was decided under the old regulations, namely Council Regulation (EC) No. 207/2009, which differs slightly in its recitals and hence also in the core principles underlying the statutory regime.

In Pelikan, the approach used in establishing bad faith as to the re-filing of the same trade marks was not so burdensome on the owner, with the accepted practice of the burden of demonstrating bad faith resting on the cancellation applicant. The trade mark owner in Pelikan had filed a new CTM for a narrower range of the same goods and services from an earlier registration, which was deemed acceptable by OHIM. It should be noted that the new mark was a (very) minor variation on its previous registrations, owing to the proprietor’s celebration of the 125th anniversary of its brand. As such, a brand variation (however slight) was viewed as a factor in favour of a repeat filing, owing to the natural evolution of brand design. Therefore, unless there was actual evidence to the contrary that the owner had a clear intent to act in a way that was not in accordance with legitimate commercial interests, there was no bad faith conduct.

Summary of decision and current landscape

At first sight, the Pelikan decision can be distinguished from the MONOPOLY decision based on the design variation of the respective trade marks, meaning that there was a legitimate commercial justification for the re-filing of duplicate goods and services, therefore limiting the cancellation applicant’s ability to rebut a presumption of good faith.

However, Recital 25 of the present EUTMR states that: “*For reasons of equity and legal certainty, the use of an EU trade mark in a form that differs in elements which do not alter the distinctive character of that mark in the form in which it is registered should be sufficient to preserve the rights conferred regardless of whether the trade mark in the form as used is also registered.*”

Whilst this recital talks about a variation in the mark *as used* to *preserve the rights conferred* [by the mark] the principle of this recital could influence whether such a minor variation in a repeat filing is a justified commercial reason to apply for the same mark again. As such, the justifications in Pelikan may not be sufficient under the present regulations, or may require a more substantial alteration in the mark in question, thereby giving the Pelikan decision / factors less weight in the future.

More significant in the present case were Hasbro's statements in evidence, which were interpreted by the BoA as apparently express evidence that Hasbro had re-filed for the same trade mark in order to avoid the issues of relying on a mark that was subject to proof of use. Interestingly, the BoA shifted the burden of proof on to Hasbro, requiring the trade mark owner to demonstrate it had acted with good faith, thereby essentially implementing a presumption of bad faith. Clearly, this shift in the burden of proof may in some cases prove decisive, given that it is evidently more difficult for a cancellation applicant to clearly demonstrate with evidence that a trade mark owner acted in bad faith.

Therefore, it is clearly not such an easy hurdle for a trade mark owner to demonstrate good faith (i.e. a legitimate commercial reason for an identical re-filing of a trade mark). What other reason could there be to re-file your trade mark for the same goods and services? Perhaps the owner could demonstrate legitimate benefits in its filing strategy to justify the re-filing. Maybe, for example, the owner re-filed for the same mark as a result of delays in its licensing programme, or R&D, and as such, could the fact that a mark would be less lucrative to a licensee or investor of a product / brand after five years be a legitimate commercial reason for the re-filing? Of course, under a presumption of bad faith, as can be seen from the MONOPOLY decision, any such contention would have to be supported by conclusive evidence. It is important to note in this respect that the EUIPO has in the past not given much weight to witness evidence originating from a party to the proceedings (i.e. a director of the proprietor company) on the basis such evidence could be viewed as biased. As such, it is difficult to see a case where a trade mark owner can demonstrate by way of evidence that it did not act in bad faith when filing for a trade mark.

It is also important to note, that if the BoA had maintained the well supported views of the Cancellation Division that there was a presumption of good faith in Hasbro filing for the Contested Goods and Services there may have been a different outcome. Indeed, it is questionable whether Kreativni would have been able to demonstrate, with evidence, and not an assumption, that Hasbro had acted in bad faith.

With the SkyKick decision (C-371/18) soon to be handed down, we expect (hope!) that the finer details regarding an applicant's intention to use its mark in relation to the specified goods or services, will become clearer. Together with the present MONOPOLY decision, these decisions should provide more certainty in relation to re-filings within the concept of 'bad faith', as well as whether broadly drafted goods and services would be viewed as bad faith.

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