

OPPOSITION AND CANCELLATION SUBCOMMITTEE INTA ENFORCEMENT COMMITTEE

Report and Recommendations:

Default Judgments in *Inter Partes* Opposition and Cancellation Proceedings

November 13, 2013

I. Introduction

The Opposition and Cancellation Subcommittee has been charged with analyzing opposition and cancellation standards and procedures in jurisdictions around the world and considering whether INTA should express a preference as to whether default judgments should issue in opposition or cancellation proceedings when the applicant or registrant of the challenged mark has not timely answered or otherwise officially responded (“Objective 2”). Work on Objective 2 was started during the previous INTA committee term (2010 – 2011) covering only opposition proceedings; the objective was expanded during this current term (2012 – 2013) to also include cancellation proceedings.

The Subcommittee project team members who contributed to this report include Rodrigo Bonan, David Buxbaum, Virginia Cervieri, Tony Chang, Timothy Kelly, Ivan Kos, Christopher Mackey, Joseph Washington (Team Leader) and Angela Wilson.

II. Research

The project team researched this issue by distributing the questionnaire set forth in Exhibit A to practitioners in select jurisdictions. In summary, the questionnaire asked the practitioner respondents to answer the following: (1) whether there was an opposition and cancellation procedure in their jurisdiction; (2) with respect to opposition proceedings, whether it occurred prior to or after registration; (3) with respect to cancellation proceedings, whether there was a ground for seeking cancellation based on non-use; (4) whether the opposition and cancellation procedure is an *inter partes* or similar type proceeding where the parties each have an opportunity to participate in the proceedings; (5) whether the opposition and cancellation proceedings are brought before the trademark office, or before another tribunal such as a court; (6) whether the opposition and cancellation procedures require an official response from the applicant or registrant such as an answer, and if so, what happens in the event that the applicant or registrant does not file the required response (e.g., does the relevant tribunal proceed with making a decision on the merits, or does it issue a “default judgment,” or employ a similar mechanism for terminating the proceedings in the opposer’s or cancellation petitioner’s favor); and (7) whether there are any policy considerations that dictate whether or not default judgments

are granted. Respondent practitioners were also asked to provide their opinion on whether or not default judgments should be granted and whether, in the practitioner's view, the decision to grant default judgments has led to an increase in fraudulent or meritless oppositions being filed.

The project team solicited and received responses from practitioners in the following 49 jurisdictions:

Albania	Hong Kong	Romania
Argentina	Hungary	Russia
Australia	India	Serbia
Benelux	Indonesia	Singapore
Bosnia & Herzegovina	Iran	Slovenia
Brazil	Italy	South Korea
Bulgaria	Japan	Spain
Canada	Kazakhstan	Sweden
Chile	Kosovo	Switzerland
China	Macedonia	Taiwan
Costa Rica	Malaysia	Thailand
Croatia	Mexico	Ukraine
European Union (CTM)	Montenegro	United Kingdom
France	New Zealand	United States
Georgia	Nigeria	Uruguay
Germany	Peru	
Guatemala	Poland	

III. Summary of Findings

A. Opposition Proceedings

The above countries can be divided into the following groups:

(1) *Group 1*: Countries where a default judgment, or similar mechanism for terminating the proceedings in the opposer's favor in the absence of a response from the applicant for the opposed mark, is granted: Australia¹, Benelux, Canada, Croatia, Hong Kong, India, Iran, Kosovo, Malaysia, Montenegro, New Zealand, Nigeria, Poland, Singapore, Thailand, United States.

(2) *Group 2*: Countries where a default judgment is not granted in the absence of a response from the applicant, and a decision is reached on the merits: Albania, Bosnia and Herzegovina, Brazil, Bulgaria, China, Chile, Costa Rica, European Union (CTM), France, Georgia, Germany, Guatemala, Hungary, Indonesia, Italy, Japan, Macedonia, Peru, Romania, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, Ukraine, United Kingdom and Uruguay.

¹ Australian law changed effective April 15, 2013 to allow for default judgments.

(3) *Group 3*: Countries that do not have standard opposition procedures: Argentina², Kazakhstan, Mexico, Russia and Serbia.

As can be seen from the breakdown noted above, the majority of countries surveyed (27 out of 49) fall within Group 2 where default judgments are not granted. The vast majority of the 49 countries surveyed had pre-registration (as opposed to post-registration) opposition procedures, with the countries having post-registration opposition procedures falling in Group 2 over Group 1 by a margin of 5 to 1. Similarly, in the vast majority of countries surveyed, the opposition procedures were brought before the relevant trademark office, with those few countries that also allowed for opposition procedures to be brought in a court all being in Group 2.

With the exception of Japan, all of the opposition procedures in the countries surveyed were *inter partes* proceedings.

The primary policy consideration in favor of default judgments where an applicant for the opposed mark has not answered or otherwise responded to an opposition (Group 1) is that a lack of even a minimal response by the applicant signals either a lack of interest in securing the trademark registration at issue or an acknowledgment that the opposition would be meritorious. Accordingly, where an owner of an opposed mark has failed to answer or respond to an opposition, the opposer should not be forced to bear the expense and burden of going through all or subsequent phases of opposition proceedings in order to prevent registration of the application at issue. The availability of default judgments in such circumstances also conserves the resources of the trademark office.

Below is a sampling of some of the reasoning stated by Group 1 respondents in favor of default judgments:

India – “Perhaps the rejection of an application on default by the Applicant can be put down to the avoidance of overburdening of the trademark registry.”

Iran – “Not responding to the opposition proceeding is against public order.”

Malaysia – “It is only just that opposition proceedings be decided in favour of the opponent as the applicant is given the opportunity to support its application by filing a required response to an opposition proceeding against the opposed mark, and failing to do so should not result in favour of the applicant whereby the opposed mark matures to registration.”

New Zealand – “As a trade mark registration confers a monopoly right, the onus should lie with the applicant to show that its mark is suitable for registration.”

Poland – “It speeds up the proceedings in cases where registration holder is not interested in defending the registration.”

² Argentina does have an opposition procedure, but it is not standard in that mediation is mandatory before contesting the opposition in court.

Thailand – “Trademark registration provides exclusivity to private sectors who want to make use of certain words/logo. Since the private rights will be exclusive, the examination process should not be so easy. The applicant should at least show that they really want to obtain protection of their mark. If they do not file a response when their mark is opposed, it could be because they do not seriously want to obtain exclusivity. As such, they should not be given such exclusivity to such mark.”

Notably, none of the respondents from Group 1 countries indicated that allowing default judgments had in their experience led to an increase in fraudulent or meritless oppositions being filed.

The primary policy consideration against default judgments in such circumstances (Group 2) is that oppositions that are frivolous or otherwise devoid of merit should not be permitted to automatically succeed simply because the owner of the trademark application has not responded to the opposition. In addition, practitioners in jurisdictions that do not permit default judgments expressed a conviction that all oppositions should be decided on the merits of the case, regardless of the applicant’s involvement. There is also a concern that a procedural default caused by, for example, an inadvertent failure to timely respond to an opposition should not be the basis for preventing trademark registration.

Below is a sampling of some of the reasoning stated by Group 2 respondents against default judgments:

Albania – “The reasons the applicant does not file a response are endless e.g., not being able to reach the deadline, not being duly notified by the PTO etc., and it does not necessarily mean that the applicant has no interest in his mark(s). Second, filing an opposition does not necessarily mean that oppositions are well grounded.”

Bosnia and Herzegovina – “In cases where the applicant has not filed a required response in the opposition proceeding, opposition proceedings should not be decided in favor of the opposer. Our opinion is that the final decision should be based on the evidence that trademark office holds and not to mention that it is necessary to analyze many other aspects of such opposition. Of course, it would be much easier if the trademark office decided in the favor of opposer in the case where the applicant has not filed a required response, however, it is more important that the trademark office evaluates all circumstances before reaching delicate decision such is opposition.”

China – “In my opinion, the decision on opposition should be made based on the arguments and evidences filed by the opposer, using the correct stipulations. This is because in some cases, the applicant’s failure to submit their response is due to various considerations.”

France – “It could be unfair to applicants if they do not understand the consequences. Many trademark applications are filed by entrepreneurs at an early stage and they do not take legal advice at that stage.”

Germany – “Oppositions should only be decided in favor of the opponent, if the opposed trademarks and protected goods are confusingly similar. The fact that an applicant does not respond to an opposition should not automatically lead to a favorable opposition decision.”

Hungary – “Applicants meet sometimes obstacles, which are not results of their negligence, but resulted from reasons standing out of scope of them. Opposition procedures involve many subjective factors, according to our experiences in the majority of the cases oral hearings are held, so there is a real interest to maintain the independent and professional decision, which is now guaranteed by keeping the IPO independent from the applicant’s silence.”

Indonesia – “Indonesia is a civil law jurisdiction. So *inter partes* proceedings normally require a full examination of the merits. A default judgment system would be inconsistent with that principle.”

Slovenia – “The potential situation on the market and perception of the consumer should thus prevail over absence of response to the opposition. The fact that the SIPO decides on the merits even when there is no response to the opposition also prevents completely ungrounded oppositions to be successful thus discouraging the fraudulent and meritless oppositions.”

Spain – “The Law establishes that a trade mark shall be rejected when there is likelihood of confusion with a prior trade mark, not when the applicant fails to answer to the opposition. The fact that the applicant does not answer the opposition is not a legal nor a logical reason for the rejection of a mark, and it would violate the general principles of trade mark law based on priority, coexistence of compatible signs, and similarity.”

Sweden – “Since opposition proceedings occur only a (fairly) short time after a trademark application is filed, it should be unlikely for a holder to have lost interest in their trademark shortly after filing the application. Moreover, a rather large number of applicants of Swedish national trademarks are individuals or small companies with little or no knowledge of trademark law and with limited funds to enlist the aid of trademark counsel. Given the nature of the average Swedish trademark applicant, it would be an unfair burden to require of them to have know-how to properly manage a trademark opposition.”

Taiwan – “We believe there are two major reasons for Taiwan not to adopt the default judgment rule. First, to prevent applicant’s inadvertent failure to timely respond to an opposition. Second, under the (somewhat arbitrary) public/private law dichotomy, opposition proceeding in Taiwan is a public law proceeding

which does not adopt the adversary system, i.e., the parties are not allowed to decide the fate of the right-at-issue by themselves. And the majority opinion holds that trademark right is something that possesses both the public and private law features. In other words, to adopt default judgments in trademark opposition proceeding means to revise some major part of the legal theory in Taiwan.”

Some of the respondents from Group 2 countries commented that they believed that allowing default judgments would lead to an increase in fraudulent or meritless oppositions being filed (see Slovenia noted above).

B. Cancellation Proceedings

In our questionnaires, we asked about both “cancellation proceedings” generally, (e.g., those based on any available grounds – i.e., likelihood of confusion, lack of distinctiveness, fraud, etc.), and any cancellation proceedings specifically based on non-use (“non-use cancellation proceedings”). Upon review of the responses with respect to non-use cancellation proceedings, it became clear that in most countries the owner of the challenged registration’s failure to respond in the proceeding with evidence of its use of the mark would result in a judgment in favor of the petitioner. Because proof of use is an essential element in the defense of the registration, it is not surprising that there may already be a greater degree of harmonization in such cases. That said, however, we believe it is not necessary to distinguish non-use cancellation proceedings from other types of cancellation proceedings for purposes of this report because judgment against the registrant in the case of its non-response in that situation is nonetheless also appropriate.

The surveyed countries can be divided into the following groups:

(1) *Group 1*: Countries where a default judgment, or similar mechanism for terminating the proceedings in the cancellation petitioner’s favor in the absence of a response from the owner of the registration, is granted: Benelux, Croatia, Indonesia, Iran, Georgia, Japan, Kosovo, Slovenia, Sweden, United States.

(2) *Group 2*: Countries where a default judgment is not granted in the absence of a response from the owner of the registration, and a decision is reached on the merits: Albania, Australia, Bosnia and Herzegovina, Brazil, Bulgaria, Chile, China, Costa Rica, European Union (CTM), France, Georgia, Germany, Guatemala, Hong Kong, Hungary, India, Italy, Kazakhstan, Macedonia, Malaysia, Mexico, Montenegro, New Zealand, Nigeria, Peru, Poland, Romania, Russia, Serbia, Singapore, South Korea, Spain, Switzerland, Taiwan, Thailand, Ukraine, United Kingdom and Uruguay.

(3) *Group 3*: Countries that do not have standard cancellation procedures: Argentina³

³ Argentina does have a cancellation procedure, but like its opposition procedure, its cancellation procedure is not standard in that mediation is mandatory before contesting the registration in court.

In Canada, whether or not a default judgment is granted depends on how the proceeding is initiated in court. If the proceeding is initiated by way of a notice of application and the registrant does not provide a proper answer, the court will proceed in any event to hear the merits of the case. If the proceeding is initiated by way of an action or counterclaim and the registrant did not properly answer, a motion would have to be made for default judgment and argued before the court.

For the most part, the above-noted groupings are similar to those for opposition proceedings. However, there were a few notable differences. On the one hand, Hong Kong, Malaysia, Montenegro, New Zealand, Nigeria, Poland, Singapore and Thailand allow default judgments for opposition proceedings, but not for cancellation proceedings. On the other hand, Indonesia, Japan, Slovenia and Sweden allow default judgments for cancellation proceedings, but not for opposition proceedings. Unfortunately, for the most part, the respondents for these countries did not indicate the reasons for the differences. However, it is likely due to the differences in the burdens of proof resting on applicants vs. registrants. In this regard, the Japanese respondent commented that the burden of proof rests on registrants under Japanese trademark law, while the Malaysian respondent commented that the burden of proof rests on the party seeking cancellation.

The reasons stated by the respondents for and against default judgments are similar to those summarized above for opposition proceedings.

IV. Conclusion / Recommendations

Based on the input from the respondents, there appear to be reasonable justifications for each approach. These are summarized below:

A. Opposition Proceedings

1. Justifications for granting default judgments:

- (a) conserves the resources of the trademark office or court (and the opposer) in that the proceeding ends there and no further evidence or arguments need be filed and a decision on the merits does not need to be reached;
- (b) speeds up the opposition process in cases where the applicant of the challenged mark does not file a required response;
- (c) because trademark registration confers exclusive rights, there is an interest in having the applicant for a trademark registration actively participate in the registration process, and granting default judgments arguably advances that interest;
- (d) deters fraudulent applications from being filed in the first place in that the applicant will know that the fraudulent application will likely be opposed by the

legitimate trademark owner and it will have to respond in the opposition proceeding.

2. Justifications for not granting default judgments and deciding cases on merits:

(a) could lead to the inadvertent withdrawal of the opposed application in the event that the applicant fails to file a response through oversight, lack of knowledge or resources or even lack of, or misdirected, notice of the opposition proceedings by the trademark office;

(b) goes against the view that an opposition should be well-grounded and only succeed if it has merit, regardless of whether the owner of the challenged application responds or not;

(c) allowing default judgments leads to an increase in the filing of fraudulent oppositions (or instances of “trademark bullying.”).

B. Cancellation Proceedings

1. Justifications for granting default judgments:

(a) conserves the resources of the trademark office or court (and the cancellation petitioner) in that the proceeding ends there and no further evidence or arguments need be filed and a decision on the merits does not need to be reached;

(b) speeds up the cancellation process in cases where the applicant does not file a required response;

(c) helps keep the register clear of trademark registrations that presumably the owner is no longer interested in.

2. Justifications for not granting default judgments and deciding cases on merits:

(a) could lead to the inadvertent cancellation of registrations in the event that the registrant fails to file a response through oversight, lack of knowledge or resources or even lack of, or misdirected, notice of the cancellation proceedings by the trademark office or court;

(b) goes against the view that a cancellation proceeding should be well-grounded and only succeed if it has merit, regardless of whether the registrant of the challenged mark responds or not;

(c) allowing default judgments leads to an increase in fraudulent cancellation proceedings being filed (or instances of “trademark bullying.”).

The Subcommittee views the rationale for granting default judgments in both opposition and cancellation proceedings to be more persuasive than those for not granting default judgments in such matters. Conserving the resources of the trademark office/court and the parties, and speeding up the opposition process, are justifiable reasons for granting default judgments in cases where the applicant/registrant of the challenged mark does not respond in the proceeding. As suggested by the responses cited above, a trademark owner or applicant has a duty to undertake at least some effort to defend or assert his mark. If no effort is made to do so in response to the filing of an opposition or cancellation proceeding, the applicant/owner of the challenged mark should not be afforded the exclusive rights associated with trademark registration, and default judgment is appropriate for the aforementioned reasons. Furthermore, to the extent that the filing of frivolous oppositions or cancellation proceedings raises a concern, the fee required to file an opposition or cancellation in and of itself presents a deterrent to such fraudulent actions.

Although there will be times when the non-response is inadvertent, this is not something inherent to default judgment systems only, as it may occur in other procedures (inadvertent non-response to examiner's inquiry, inadvertent non-response to office action, inadvertent nonpayment of the fees, and other actions which have statutory deadline to be done), and thus is not a strong reason for giving up those procedures. The applicant/registrant of a trademark should have a duty to keep its contact information updated with the trademark office in order to timely receive notices of opposition and petitions for cancellation. It is the Subcommittee's view that the risks of inadvertent non-response can be adequately dealt with through procedural mechanisms such as (a) the issuance to the applicant/registrant of an order to show cause why default judgment should not be granted and/or (b) a preliminary review by the trademark office of the notice of opposition or petition for cancellation for valid grounds have been alleged before issuing any default judgment.

The Subcommittee therefore recommends that in the event that a trademark applicant or owner does not respond to an opposition or cancellation proceeding (respectively), the relevant trademark authority shall issue a default judgment against them.

V. Disclaimer

All information provided by the Oppositions & Cancellations Standards & Procedures Subcommittee of the International Trademark Association in this document is provided to the public as a source of general information on trademark and related intellectual property issues. In legal matters, no publication, whether in written or electronic form, can take the place of professional advice given with full knowledge of the specific circumstances of each case and proficiency in the laws of the relevant countries. While efforts have been made to ensure the accuracy of the information in this document, it should not be treated as the basis for formulating business decisions without professional advice. We emphasize that trademark and related intellectual property laws vary from country to country, and between jurisdictions within some countries. The information included in this document may not be relevant or accurate for all countries or states.

EXHIBIT A

INTA Default Judgments Questionnaire

Part A - Opposition Proceedings

- (1) Is there a procedure in your jurisdiction whereby a trademark application can be challenged prior to it maturing into a registration (*i.e.*, an opposition)? If your answer is yes, please continue to answer the following additional questions. If your answer is no, please proceed directly to Part B.
- (2) Does the opposition procedure in your jurisdiction occur prior to or after registration?
- (3) Is the opposition procedure in your jurisdiction an *inter partes* or similar type proceeding where both the applicant and the opposer each have an opportunity to participate in the proceedings?
- (4) Are opposition procedures in your jurisdiction brought before the trademark office, or before another tribunal such as a court?
- (5) Does the opposition procedure in your jurisdiction require an official response from the applicant such as an answer?
- (6) If the answer to question (5) above is yes, please describe what happens in the event that the applicant does not file the required response. In particular, please describe whether the relevant tribunal will in the event the required response is not filed (a) proceed with making a decision on the merits, or (b) issue a “default judgment,” or employ a similar mechanism for terminating the proceedings in the opposer’s favor. With respect to (b), please describe whether this happens automatically or whether it must be requested (such as by motion) by the opposer.
- (7) Please describe any public policy or other considerations that you believe influence how your jurisdiction decides opposition proceedings in cases where the applicant has not filed a required response in the opposition proceeding.
- (8) In your opinion, should opposition proceedings be decided in favor of the opposer in cases where the applicant has not filed a required response in the opposition proceeding? Please explain your answer.
- (9) If your jurisdiction is one where opposition proceedings are decided in favor of the opposer in cases where the applicant has not filed a required response, do you believe that this has led to an increase in fraudulent or meritless oppositions being filed?

Part B - Cancellation Proceedings

- (1) Is there a procedure in your jurisdiction to seek the cancellation of a trademark registration? If your answer is yes, please continue to answer the following additional questions.
- (2) Is there a procedure in your jurisdiction to seek the cancellation of a trademark registration based on abandonment or non-use (“non-use cancellation proceeding”), and if so, is there a separate procedure for such non-use cancellation, or is that part of your jurisdiction’s general cancellation procedure?
- (3) Is the cancellation procedure in your jurisdiction an *inter partes* or similar type proceeding where both the registrant and the party seeking cancellation each have an opportunity to participate in the proceedings? To the extent your answer differs between general cancellation proceedings and non-use cancellation proceedings, please explain.
- (4) Are cancellation procedures in your jurisdiction brought before the trademark office, or before another tribunal such as a court? To the extent your answer differs between general cancellation proceedings and non-use cancellation proceedings, please explain.
- (5) Does the cancellation procedure in your jurisdiction require an official response from the registrant such as an answer? To the extent your answer differs between general cancellation proceedings and non-use cancellation proceedings, please explain.
- (6) If the answer to question (5) above is yes, please describe what happens in the event that the registrant does not file the required response. In particular, please describe whether the relevant tribunal will in the event the required response is not filed (a) proceed with making a decision on the merits, or (b) issue a “default judgment,” or employ a similar mechanism for terminating the proceedings in favor of the party seeking cancellation. With respect to (b), please describe whether this happens automatically or whether it must be requested (such as by motion) by the party seeking cancellation. To the extent your answer differs between general cancellation proceedings and non-use cancellation proceedings, please explain.
- (7) Please describe any public policy or other considerations that you believe influence how your jurisdiction decides cancellation proceedings in cases where the registrant has not filed a required response in the cancellation proceeding. To the extent your answer differs between general cancellation proceedings and non-use cancellation proceedings, please explain.
- (8) In your opinion, should cancellation proceedings be decided in favor of the party seeking cancellation in cases where the registrant has not filed a required response in the cancellation proceeding? Please explain your answer.
- (9) If your jurisdiction is one where cancellation proceedings are decided in favor of the party seeking cancellation in cases where the registrant has not filed a required response, do you believe that this has led to an increase in fraudulent or meritless cancellation proceedings being filed?