



**OPPOSITION AND CANCELLATION SUBCOMMITTEE
INTA ENFORCEMENT COMMITTEE**

**Report and Recommendations:
Standing Requirements in Connection with Non-Use Cancellation Actions**

November 13, 2013

I. Introduction

Last term, the Opposition and Cancellation Standards and Procedures Subcommittee (“Subcommittee”) adopted a Board Resolution (“Resolution”) on [Partial Cancellation Actions Based on Non-Use](#). Within the Resolution and supporting [Report](#), the Subcommittee briefly noted that, in 19 of the countries surveyed, the entity attempting to cancel a particular trademark registration based on non-use (“Claimant”) is required to prove a legitimate interest in the cancellation of such registration (“Registration”). This number includes those countries whose survey respondents did not specifically mention such requirement, but where the law requires the Claimant to be an “interested person.” Hence, the Subcommittee inferred that the Claimant in these countries was likely to be required to prove its legal interest. The interest may be an activity linked to the products or services covered by the Registration, as in France, or it may be that the Claimant would be negatively affected by the Registration (*e.g.*, the Trademark Office has cited the Registration as an obstacle against the Claimant’s application), as in Finland.

The Subcommittee did not investigate or analyze the issue of standing in detail since it appeared to be beyond the primary objective of the Resolution. Thus, the Subcommittee this term (2012-2013) was called upon to provide a more detailed analysis of whether harmonization or standardization of standing requirements should be encouraged in non-use cancellation actions.

To that effect, the Subcommittee conducted a survey, from which it received answers from practitioners in Australia, Belize, Bulgaria, Canada, Chile, Cuba, Ecuador, Estonia, Finland, France, Germany, Greece, Honduras, Hungary, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait, Kyrgyz Republic, Latvia, Libya, Malaysia, Malta, Mexico, Moldova, Monaco, Montenegro, Morocco, Netherlands, Nicaragua, Oman, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Korea, South Korea, Romania, Russia, Serbia, Slovenia, South Africa, Spain, Sweden and the United States of America.

The Subcommittee's research showed that in 23 of the 58 researched countries, as well as within the CTM system, the Claimant is not required to file any kind of evidence, as the burden of proof of use is placed on the owner of the Registration ("Registrant"). This implies that said jurisdictions may not require Claimants to meet any standing requirements. Upon further analysis, the Subcommittee found that the researched countries' approaches to standing requirements in non-use cancellation actions fall into three main categories, namely, (1) no proof of standing required; (2) low standard of proof; (3) formalistic system with an overly burdensome standard of proof of legal standing.¹

Based upon its research, the Subcommittee determined that the adoption of standing requirements did not provide any significant advantages for Registrants. It further concluded that if a country, for any reason, were to adopt standing requirements for non-use cancellation actions, such requirements should not be overly burdensome for Claimants to meet. In particular, certain low-threshold criteria are suggested for standing requirements in non-use cancellation actions, such as showing:

- that the Claimant is actually conducting an activity related to the goods or services covered under the Registration, or with a similar trademark or term;
- that the Claimant has a bona fide intention to use the same or similar trademark or term covered under the Registration in the market;

¹ For easy reference, a chart with a list of the answers received to the survey is attached to this Report as Appendix A.

- that the Claimant has a pending trademark application that may be affected by the Registration;
- that the non-use of the mark covered under the Registration damages, negatively affects or is likely to affect Claimant’s rights and interest in any manner;
- that the Claimant is the owner of a renowned trademark that may be affected by mark covered under the Registration, such as, harm to its reputation, to its distinctive character, or undue advantage; or
- that the Claimant is the owner of a similar trademark in other countries.

Thus, the Subcommittee concluded that harmonization of laws regarding standing is recommended, particularly for countries with formalistic approaches, such as those within Trend 3. Countries are encouraged to adopt a system that requires no proof of standing, such as those countries employing the Trend 1 approach. However, in the case that a country is not able to do away with its standing requirements altogether, the threshold to prove standing should be low and not place an undue burden on Claimants.

II. Analysis

A. Trend One: No Proof of Standing Required

The first trend was observed in countries with a simple summary proceeding and no standing requirements, where all burdens of proof lie on the Registrant. Examples of countries following this approach are: Australia, Canada, Germany, Indonesia, Iran, Ireland, Israel, Jamaica, Japan, Kazakhstan², Kosovo, Kyrgyz Republic, Latvia, Libya, Malta, Moldova, Morocco, Nicaragua, Panama, Paraguay, Qatar and Sweden, as well as before OHIM for CTM.

² Under the Law of Kazakhstan, any interested person may file a non-use cancellation action. The Law does not specify a definition for “any interested person”, thus, anyone who is affected somehow by the existence of such registration against which a non-use cancellation action is initiated can start a non-use cancellation action. However, no assurance can be given that the Trademark Office will not in the future demand evidence that the Claimant is in fact “interested”.

In theory, this system is designed to clear the Register of deadwood Registrations, in order to facilitate a true reflection of the commercial reality vis-à-vis the Registry.

Practitioners from some of these countries (Canada, Ireland, Japan and Australia) were asked to comment³ on their cancellation system.

Practitioners in Canada noted that its system is an excellent example of this first trend. Canadian Trademark Law provides for quick and economic cancellation proceedings open to any person who pays the required fee of CAD 400. If the Registrant is unable to furnish proof of use of the trademark in response to a notice issued by the Trademark Office, the Registration will be expunged.

Similarly, in Ireland, Japan and Australia non-use cancellation actions can be filed by any person without requiring any proof of standing or specific interest in the removal of the trademark. In some countries, like Australia or Canada, an absence of standing requirements for the Claimant is counterbalanced with a low threshold for the type and extent of evidence to be submitted by the Registrant in support of the contested Registration.

All of the respondents from these countries consider having no standing requirements to be well-balanced, time and cost effective, and highly efficient to keep the Registry clean of non-used registered trademarks. No respondent from in the countries falling under this trend expressed a willingness to change it; with some even appointing it as a model for harmonization.

Additionally, none of the respondents from countries within this first trend reported any drawbacks to it, which seems to confirm its high efficiency.

³ For further details on the systems in Canada, Portugal, Ireland, Japan and Australia, please see Appendix B.

B. Trend Two: Low Standard of Proof

A second international trend⁴ is that of countries where proving legal standing is required, but wherein the standard for proving said legal standing is low. Here, to prove standing, Complainant need only to prove that it is an “*aggrieved person*.” Examples of countries following this approach are Cuba, Ecuador, Estonia, France, Finland, Greece, Hungary, India, Italy, Kazakhstan, Kenya, Korea, South Korea, Kuwait, Monaco, Montenegro, the Netherlands, Oman, Panama, Peru, Philippines, Poland, Portugal, Romania, Serbia, Slovenia, South Africa, Spain and the United States.

Within these countries, there are various means of proving that Claimant is an aggrieved person. There are no strict legal requirements for proving legal standing and, most of the time, proof of standing is judged on a case by case basis.

For some of these countries, such as Kazakhstan, Peru, and Portugal, although the national laws require the Claimant to be an “interested person”, in practice, the relevant bodies do not require submission of proof of legal standing. In some other countries, such as Hungary, the laws allow anyone to be a Claimant, however, it is required that they demonstrate legal standing in accordance with the general legal principles, or because of established practice.

Based on its analysis of survey responses, the Subcommittee observed that in these countries, the Claimant is basically required to demonstrate that it is an “aggrieved person”, by proving any of the following:

- That Claimant is actually conducting an activity related to the goods or services covered under the Registration, or with a similar mark;

⁴ It should be taken into consideration, that classification of some countries to Trend 2 or Trend 3 is rather approximate, because what occurs, in practice, may vary among jurisdictions. Also, some countries may be “migrating” from Trend 2 to Trend 3 and vice versa.

- That Claimant has a bona fide intention to use the same or similar trademark covered under the Registration in the market (This can be proven by demonstrating preparatory evidential steps to enter into the market - *e.g.*, applications for business licenses, planned advertising activities, certificates of registration in other jurisdictions, etc.);
- That Claimant has a pending trademark application that may be affected by the Registration;
- That Claimant is the owner of a renowned trademark that may be affected by the blocking Registration, in terms of its reputation, or in terms of harm to the distinctive character of its mark, or undue advantage;
- That Claimant is the owner of a similar trademark in other countries; or
- That the Registration damages, negatively affects or is likely to affect Claimant’s rights and interests in any other manner.

Peru is slightly different in that a “legitimate interest” is required, but claiming such an interest seems to be open to anybody. Practitioners in this jurisdiction explained that factually, almost anyone could qualify as having a legitimate interest. The survey respondents suggested that requiring an explanation of such legitimate interest upon the filing of a non-use cancellation action might discourage abusive filings. However, the survey respondents acknowledged the fact that unused trademarks block the register for genuinely interested trademark owners, and cancellation actions are a reasonable way to clear the path. Upon the cancellation of the contested Registration, the Claimant gains a “preferential right” to register the cancelled mark.

Countries using this system believe that it provides a balance, giving bona fide parties who wish to use a particular trademark the means to achieve it and preventing any person from dominating such trademark (or a similar trademark) without using it. At the same time, practitioners using this system believe that it also provides adequate protection to the Registrant from frivolous cancellation actions, where a bad faith Claimant with no legal standing files non-use cancellation claims against an invariably used trademark to put Registrant to expense of litigation or otherwise do harm to Registrant.

Therefore, users of this system consider it well-balanced and effective. Indeed, many survey respondents from countries within this system believe that no changes are needed, and some even suggest the Trend 2 system as a model for harmonization.

Notwithstanding the above, some Respondents reported drawbacks to this system, including that:

- the need to demonstrate legal interest prolongs the proceeding, and this system is not very helpful for Claimants who have a real interest in requesting the cancellation action, and immediate plans, since the proceedings might last several years;
- sometimes the Claimant, especially when a Claimant is a new business, may not be able to prove its intention to use the trademark, as well as the damage caused by the existence of the registered trademark;
- a Registrant who has not used his registered trademark for the prescribed period should receive no further protection to keep his Registration, so that cancellation actions for non-use should be as simple as possible, and not have any hurdles with respect to the legal standing of the Claimant;
- the need to demonstrate legal interest increases the costs of such proceeding; and
- the trademark registry tends to be somewhat cluttered and overloaded.

Additional drawbacks seem to exist because countries that fall under this approach tend to require prosecution of a full trial in order to obtain the cancellation of an unused registered trademark, and not because of the existence of standing requirements that need to be fulfilled. Other reported drawbacks, like difficulty of proving intent to use the trademark, or difficulty of proving damage, are likely mitigated in situations where the Claimant has a choice of various options to demonstrate legal standing, some of which may be more appropriate to the Claimant's particular situation.

It should be pointed out that whenever these drawbacks are reported in the survey responses, they tend to suggest a desire to change to a system where no standing requirements are required, such as the systems observed within Trend 1.

This seems to suggest that, among countries falling within Trend 2, opinion is divided, in that some respondents wish to move towards a system like the one observed in Trend 1, while others consider their current system efficient as it is.

C. Trend Three: Formalistic System

A third trend observed in a minority of countries is that of jurisdictions using a very formalistic system where cancellation actions are prosecuted in the form of a full litigious proceeding or trial before an administrative authority or even a civil court, where standards of proof of legal standing are very formalistic and burdensome.

Examples of countries within this system include: Iraq, Jordan, Malaysia, Mexico, Russia⁵ and Honduras.

The difference between countries falling within this trend and some of the countries noted in Trend 2, which may also require a trial, is that, for example, the Claimant in a Trend 3 country typically has additional requirements, directly related to establishing legal standing. For example, some countries in Trend 3 require filing a trademark application and waiting for the Trademark Office to issue an official statement citing the unused Registration as an obstacle to registration before the Claimant is deemed to have standing for starting the non-use cancellation action. This requirement presents a particular drawback for famous and well-known trademarks not yet registered within that country. Owners of famous or well-known marks cannot initiate a non-use cancellation action against a Registration, unless they take the preliminary steps of filing a trademark application in the relevant jurisdiction, and waiting

⁵ At the time of conducting survey, Russia was reported as falling within "Trend 2". However, by the time this Report was prepared, it was learned that Russia had subsequently adopted a more formalistic approach, which requires the Claimant to prove a refused or pending application, that the Claimant conducts business in the same area or channels as the Registrant, an intent to use the mark in Russia, plus, optionally, registrations/applications for the same/similar mark in other countries. In light of these requirements, the Subcommittee re-classified Russia as a Trend 3 country.

for an Office Action citing the offending Registration. Only then can they file a cancellation action against that Registration.

Although some practitioners may not find it burdensome for Claimant to file a trademark application and wait for the Trademark Office to issue an official Office Action to satisfy the standing requirements for bringing a non-use cancellation action, many practitioners under this third trend consider it to be inefficient and overly expensive. Some survey respondents stated that it is unreasonably burdensome to have to prove that Claimant is an aggrieved person when it only intends to carry out activities related to certain goods or services. For example, a newly established business may want to start preparations for use of a mark, but may be financially unable to invest in such use at that time.⁶

Furthermore, practitioners within this trend find the following as main drawbacks of this system:

- The high costs of prosecuting a whole litigation for having a non-used registered trademark cancelled.
- The high threshold of evidence and the high cost of perfecting such evidence, in order to comply with the formalities of this system.
- The length of time needed to receive a final ruling declaring the cancellation of the non-used registered trademark.⁷

These drawbacks are the result of heightened standing requirements in addition to the requirement of prosecuting the matter in a trial (similar to that required in some Trend 2 countries) in order to obtain the cancellation of an unused Registration. The difference between Trend 2 and Trend 3, however, is that the requirements of filing a trademark application and waiting for the Trademark Office to issue an office action citing previously registered marks, or proving the likely harm caused by the existence of the registered trademark, by themselves, may be deemed burdensome. This is of particular concern for

⁶ The Subcommittee notes that, in the United States, this factor is not an obstacle for Claimants because the US system allows the applicant to file a trademark application based on its bona fide intent to use a mark, without any proof of such intent.

⁷ In Mexico, for example, it can take up to 5 years to obtain a definitive resolution in a cancellation proceeding.

newly established businesses, as discussed above. The Subcommittee believes this may restrain competition, hindering new owners from entering a market with their trademarks because of the existence of registrations for similar or identical marks covering goods and/or services with which the registered mark has not been used.

Generally, practitioners of jurisdictions within this third trend do not consider this system to be effective as a whole, and agree that some improvements should be encouraged, though no specific suggestions were made in connection with standing requirements.

III. Considerations

After analyzing the three trends described above, it appears that a change in approach regarding standing requirements is desirable. The Subcommittee believes there are no significant advantages in the adoption of standing requirements in non-use cancellation proceedings, nor significant drawbacks in abolishing them. To the contrary, the Subcommittee believes that legal standing requirements may serve as an unreasonable burden on the Claimant, and an artificial barrier to business competition and to maintaining the integrity of the Trademark Register.

Survey results and Subcommittee consensus indicate that, in connection with cancellation actions based on non-use, the most effective system is one designed to clear the Registry as much as possible of the deadwood of non-used Registrations, in order to facilitate a true reflection of the commercial reality. The appropriate standard for determining standing in such actions should also be considered with regard to reducing timing and costs.

With maintenance of a clean trademark Registry and efficiency as the desired result, a system that eliminates standing requirements in cancellation actions based on non-use would best facilitate this goal and is an important step towards said direction.

Some practitioners raise concerns as to whether the elimination of all standing requirements in certain jurisdictions could cause or foster the filing of frivolous cancellation actions based on non-use, against trademark owners. Notably, however, the answers received from respondents from countries in Trend 1 seem to show that, in practice, the risk of facing frivolous actions is very low, as no practitioner from any of the countries within that trend reported a concern for frivolous actions. At the same time, practitioners from Mexico, which tends to fall within Trend 3, report that the highly formalistic approach in their country does not eliminate the risk of frivolous cancellation claims, as it is not impossible for Claimants to meet legal standing requirements even in a frivolous action. This suggests that the elimination of standing requirements is not directly linked to the increase in the filing of frivolous actions.

Likewise, practitioners within Trend 1 consider the government fees that have to be paid when requesting the filing of a cancellation action based on non-use, as an efficient deterrent against any frivolous actions.

Therefore, the concern regarding the possible filing of frivolous actions should not be deemed as a conclusive motive for not trying to eliminate standing requirements. Moreover, strict standing requirements, such as those of the formalistic system described in Trend 3, do not seem to provide any significant counter-balanced advantage for trademark owners.

Unused trademarks are an artificial barrier to the registration of new marks, and continued protection should be available only to protect registered marks actually used in commerce. Therefore, the Subcommittee doubts that filing of a non-use cancellation request can be considered abusive as such, when the trademark covered under the Registration is not in use and therefore should be cancelled in accordance with the generally-accepted principles of law.

Although the Subcommittee acknowledges that the risk of frivolous actions may be greater in some jurisdictions than in others, the Subcommittee has come to conclusion that the reduction or elimination of legal standing requirements in practice neither fosters nor discourages the filing of frivolous actions.

Since practitioners in both Trend 1 and 2 countries seem adequately satisfied with their systems, there may not be a need to determine a preference between the adoption of standing requirements and the abolishment of same. However, the Subcommittee believes that in the interest of harmonization of standing requirements, countries should adopt a system that requires no proof of standing, such as those in Trend 1. If a country that maintains legal standing requirements is not able to eliminate such requirements, the Subcommittee urges that these requirements not be overly burdensome for the Claimant to meet, as they are in Trend 3 countries. Therefore, a change in approach is suggested for countries within Trend 3, recommending that those countries adopt one of the other systems under Trend 1 or 2.

IV. Conclusions

The Subcommittee has determined that harmonization of laws regarding standing to bring non-use cancellation actions is recommended. The Subcommittee believes that the best way to achieve the goals of efficiency, timeliness and cost effectiveness and to keep the Registry clean of deadwood registrations that do not reflect the commercial reality, is to encourage countries to adopt a system that requires no proof of standing, as do those countries employing the Trend 1 approach.

The Subcommittee does, however, recommend that if a country should adopt or maintain standing requirements, these standing requirements should not be overly burdensome for the Claimants to meet. Thus, these countries, at a maximum, should adopt systems like those of Trend 2 countries, with low thresholds for proving standing that do not place an undue burden on Claimants. Such low-threshold criteria could include, but are not limited to proof that:

- Claimant is actually conducting an activity related to the goods or services covered under the Registration, or with a similar trademark or term; or

- Claimant has a bona fide intention to use the same or similar trademark or term covered under the Registration in the market; or.
- Claimant has a pending trademark application that may be affected by the Registration; or
- the Registration damages, negatively affects or is likely to affect Claimant's rights and interest in any manner; or
- Claimant is the owner of a renowned trademark that may be affected by the Registration, such as, harm to its reputation, to its distinctive character, or undue advantage; or
- Claimant is the owner of a similar trademark in other countries.

By eliminating standing requirements for Claimants filing non-use cancellation actions or, as an alternative, requiring only a low, unburdensome threshold of proof of standing be met, countries can best ensure a clean trademark Registry and efficiency in the non-use cancellation process.

Appendix B

Canada:

The Canadian proceedings can be summarized as follows:

- According to Section 45 of the Canadian Trademarks Acts, any person may pay the required fee of CAD 400 and send a letter to the Registrar (CIPO) requesting the issuance of a Section 45 Notice to the registered owner of a trademark, which has been registered for more than three years.
- The Registrar will issue such a Section 45 Notice, providing the Registrant with a deadline of three months to submit evidence of use of its trademark within the three years preceding the date of the notice (the “Relevant Period”).
- Once the evidence in form of an affidavit or statutory declaration containing specimens of use, invoices, sales figures, sales documents and other evidentiary materials, has been submitted, the Registrar provides the Requesting Party with the opportunity to file written representations, and subsequently provides the Registrant with a deadline within which to do the same.
- The parties have the opportunity to request a hearing and both parties may make representations at such a hearing, although only the Registrant has the right to submit evidence..
- Once the Section 45 decision is issued, both parties have two months to appeal same to the Federal Court.

It is important to note that “any person” can also be, and often is, the law firm representing a party with some interest in expunging the trademark from the Canadian Trademark Register.

As a complement to the simple and informal procedure, the threshold to prove use and maintain the Registration against a Section 45 request is low. Oftentimes, a single sale within the three years prior to the issuance of the Section 45 Notice can suffice to prove use and maintain the Registration, as long as it is not just an act of token use for the sole purpose of maintaining the Registration.

If the Registrant fails to prove use of the trademark during the Relevant Period for some or all of the goods/services as covered by the Registration, or valid reasons for an excusable non-use, the mark will be expunged in part or in its entirety.

Upon the receipt of comments on the potential abuse of such a cancellation system without Standing Requirements, the Subcommittee reverted to select local colleagues of the Trend 1 countries to establish whether practitioners were satisfied with the system and whether abuse cases were an issue. The responses are summarized as follows:

For Canada, abuse of the cancellation system is not an issue. Generally, however, the question would have to be asked whether filing of a Section 45 request can be considered abusive even if the trademark is in fact not in use and therefore should be cancelled in accordance with the principles of Canadian Trademark Law. Section 45 of the Act is a manifestation of CIPO's public charge to keep the trademark register as accurate as possible with respect to the reflection of the actual circumstances, including the continued use of trademarks which have been registered for more than three years. Canadian trademark law is use-based, requiring use of trademarks as a prerequisite to registration or latest after three years of registration in order to be entitled to maintain the Registration.

Portugal:

In Portugal, cancellation actions are filed before the Trademark Office. The Trademark Office does not request that the Claimant claim or prove any interest in the expungement of a trademark, although there seems to be some debate on who is entitled to file such an action. The burden of proving use of its mark then falls on the Registrant. The Registrant has to respond to the non-use cancellation action within two months after being notified of the action. If the trademark is used only for some of the goods and

services covered by the Registration, the Registration will be cancelled regarding the remaining products. No hearings are admissible. The procedure is quite simple and cost effective. An appeal to the Intellectual Property Courts is available to the losing party. Generally, the procedure seems to take less than a year to decide.

Apparently, practitioners from Portugal consider the non-use cancellation actions appropriate, but criticize the lack of critical sense in the way the Trademark Office analyses the evidence submitted by the parties, which are generally analyzed “in bulk” and not “document by document”. In addition, it is suggested that the Claimant should be required to show some reason for the filing of such a non-use cancellation action. However, practitioners in Portugal are not aware of any abusive cancellation actions filed by trademark pirates or squatters.

Ireland:

The cancellation procedure follows an application for revocation under the Irish Trademark Act. The registered owner responds with a Notice of Opposition and files evidence of use. Subsequently, there is a hearing before the Office. An appeal is available to the High Court.

Practitioners in this jurisdiction admit that the lack of any standing requirements might seem “anomalous”, but are not aware of any examples of abusive filings, confirming that the system works very well, and thus seeing no need to harmonize the system by adopting standing requirements.

Japan:

Non-use cancellation actions in Japan can be filed by any person against a Registration which has not been used for a consecutive period of three years in Japan. The burden of proof is upon the Registrant to prove actual use of the registered mark in Japan within three years prior to the request for the trial.

Practitioners in said jurisdiction confirm that they are satisfied with the non-use cancellation system, as it allowed for the expungement of conflicting registered trademarks which are unused. Practitioners in Japan also confirm that they are not aware of any instances of abusive cancellation filings by trademark

pirates or squatters in Japan. On the contrary, it was stated that non-use cancellation actions are one of the effective measures to cancel trademarks which had been registered by trademark pirates or squatters.

Australia:

Trademarks are vulnerable to cancellation actions for non-use if they have not been used for a continuous period of three years in Australia. Any person may file a non-use cancellation application, and no standing is required to be demonstrated by the Claimant. The registered owner has the option to oppose the application for non-use by filing an opposition within three months from the date the non-use application was advertised, and then filing evidence proving that it did intend in good faith to use the mark at the time of the filing of the application or that it had in fact used the mark in Australia within the Relevant Period. Apparently, very little evidence of use is required to maintain the Registration as long as it is genuine commercial use and not token use.

Practitioners in Australia have not experienced any problems with abusive cancellation actions filed by pirates or squatters. They also state that in reality, it is very unlikely for a third party to file a non-use application if there is no legitimate interest in such action, for example the filing of a trademark application which has been blocked due to the existence of a confusing prior Registration.