

## Report

# Trademarks as a Business Tool: Towards a New Rebound Encounter 6

October 30th, 2020

### Moderator:

**Prof. Alberto CASADO CERVIÑO.** Former Vice-President EUIPO, Former Vice-President EPO, Former Director-General SPTO.

### Speakers:

**Prof. Irene CALBOLI** Professor of Law, Texas A&M University School of Law.

**Prof. Xiuquin LIN,** Professor, School of Law; Dean, Intellectual Property Research Institute, Xiamen University, PR China.

**Prof. Alexander von Mühlendahl,** Former Vice-President EUIPO.

The **6th Encounter** addressed recent developments in the trademark environment and related cutting-edge legal issues arising in the post-Covid landscape. In particular:

1. **Prof. Calboli** discussed the effects of the Covid and post-Covid pandemic on trademark applications and on the protection of the trademarks;
2. **Prof. von Mühlendahl** discussed the non-traditional marks role as new technology came along to reinforce their protection.
3. **Prof. Lin** discussed about the bad faith and the connection with the impact of the pandemic and the lack of intentional use.

## 1. Effects of the Covid and post-Covid pandemic on trademark applications and on the protection of the trademarks

**Prof. Calboli** is currently conducting an empirical study concerning the number and type of trade mark applications related to the pandemic, which have been filed before the USPTO. The study looks at 'Covid' and related words, in particular, 'Coronavirus', 'Social Distancing', 'Sheltering Place', 'Quarantine' and 'Six Feet Apart'. The analysed applications are divided in different categories according to the type of business. Those categories correspond to medical businesses, unrelated businesses, merchandising/slogging and slurs - that is, offensive terms related to the words Covid and Coronavirus in particular.

As of end of September 2020, the data show that over 700 Covid-related trade mark applications have been filed. Over 300 applications fall within the merchandising businesses category, while medical businesses and unrelated businesses count 200 applications each and, eventually, 10 applications relate to slurs. None of the analysed trademarks has been granted so far.

The study finds out an unprecedented number of applications for something as a pandemic. None of other previous big events, such as Iraq war or 9/11, or other pandemics or epidemics, such as Ebola, had triggered the same results. Moreover, the majority of applications have been filed either by individuals or by small companies, while the applications for medical businesses are filed mainly by corporations. Lastly, an explosion of applications for catchy phrases is confirmed.

**Prof. Calboli** stressed that many Covid-related trademark applications are unlikely to be successful. In fact, the abovementioned words will be deemed as descriptive for medical services and be included in various disclaimer statements. Consequently, the assessment of the distinctive character of those signs should focus on the remaining components and their combination. Regarding unrelated businesses, the analysed words will raise issues concerning secondary meaning, acquired distinctiveness and arbitrary use of an existing term. Eventually, in the merchandising category and slurs the words in question will face rejection according to the doctrine of failure to function as a trade mark, causing the sign not to be considered as a mark but as a slogan, a decoration or something else.

The reasons why individual and small businesses trade mark applications that are likely to be rejected are filed still remain an open question. What is certain is that the depicted scenario will occasion costs both for the application system and for the filers.

Asked about Covid-related trademarks, **Prof. von Mühlendahl** pointed out that we are not yet in the post-Covid scenario, but we are currently facing the Covid pandemic. A great depression affects companies, societies and the wellbeing of the world we know. The Covid crises will have important and broad implications for the trade mark environment. He highlighted that so far, the economic downturn did not affect negatively the number of trade mark applications filed before the EUIPO. On the contrary, the 2020 data show an increase in applications in comparison to the previous year, with China as the first filing country, (followed by Germany, the United States and Italy), thus taking the position usually held by Germany, US and other European countries during the precedent years. This means that China is the first country which recovered from the pandemic faster and more effectively than other countries. In addition, he noted that also working methods at EUIPO have already changed with the increasing use of new IT communications. And these are only the first changes in the initial phase of the Covid-crises.

Asked about the same topic, **Prof. Lin** noted that the application for Covid-related terms is a global phenomenon. She introduced a case in China involving the applications for the name of two hospitals as trademarks. Those applications have been rejected on the basis of Article 10(8) of Chinese trade mark law. In addition, since February-March 2020 it is no longer possible to take advantage of the names of diseases, medicines and medical terminology.

To conclude, **Prof. Calboli** highlighted also how the Covid-crises opened new market opportunities for the brand and trade mark industry. Moreover, famous brands, especially in the fashion sector, have linked brand power to corporate and social responsibility. During the first wave of the pandemic, those companies found the way to continue building the goodwill of the brands they have created and to carry on for public uses. Then, an online business and other business were created, calling corporations for support and solidarity. Currently, corporations are required to adapt their products and production to the challenges of the post-Covid world.

## 2. The non-traditional marks role as new technology came along to reinforce their protection

**Prof. von Mühlendahl** introduced his presentation focusing on the issues and developments concerning non-traditional trademarks. While the TRIPS Agreement foresees registration for signs that are visible (e.g. shapes, colours, combination of colours etc.), issues arise in relation to signs that are not visible, but still capable of identifying goods and services according to their commercial origin (e.g. sound, smell, touch), particularly in the current Covid-dominated world.

The category of non-traditional trademarks encompasses not only visible and perceptible signs, such as holograms and moving signs that are not stationary in time, but also new categories of two or three-dimensional visible signs, such as position marks and pattern marks. He pointed out that modern advanced Legal systems seem not to have problems with signs that are not visible on the basis of the potentially use of the allegedly infringing signs on the market by identical or similar signs.

Regarding formalities, he highlighted that almost all countries accept those signs with the exception of US, where they should be disclosed in use in order to be identified precisely and accurately, so that the examining authorities and the public know what is claimed as subject matter and also the claimed function is disclosed. Pursuant to Article 4 of the Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trade mark, a clear and precise determination of the subject-matter is required for the sign to be registrable. On the one hand, the requirement is not particularly problematic for shape, colour, pattern and position marks. In addition, issues of identification are solvable and do not present serious obstacles to the registration of visible or audible non-traditional marks. In fact, sound marks are not reproduced by standard notation but may be perceived from sound recordings deposited when they are audible via internet. Moving or motion marks and holograms may require motion pictures and video with or without sounds. On the other hand, however, registration is not possible for smell, taste and touch, until when those perceptions can be rendered reproducible. Nevertheless, the number of non-traditional trademarks applications is still relatively limited. Up to September 2020, EUIPO registered 197 position marks, 54 multimedia mark, 11 holograms and 1000 three-dimensional marks. However, the number is expected to further increase in the coming years.

As to the absolute grounds examination, although no case-law has been developed for the moment, he highlighted the tendency of excluding simple sounds as being non-distinctive, while motion and multimedia are just at their beginning. In particular, it should be clarified how to apply the absolute exclusions to those type of marks when they represent the goods themselves, or their technical functionality, or the value conferring the shapes.

To conclude, **Prof. von Mühlendahl** addressed several additional open questions. He questioned how issues of similarity and conflict could be solved when the relevant signs belong to the same or different categories. Regarding clearance, he considered problematic that there are no proper standards, or tailored search criteria, or identification of individual features in place yet. As it concerns priority claims at the international level, the TRIPS minimum standard doctrine does not help in the absence of acceptance of all the forms of non-traditional trademarks in all the systems. Those signs cannot be either registered under Madrid system as this is not based on advanced technologies.

### 3. The bad faith and the connection with the impact of the pandemic and the lack of intentional use.

**Prof. Lin** introduced her speech recognising the importance of the revision of the Chinese Trade Mark Law in 2019, in particular concerning bad faith. The amended Article 4 states now that trade mark applications not for the purpose of their use - thus in bad faith - shall be rejected. This article introduced a fundamental change in the practice of trade mark protection. In fact, under one to file system, in China it was legal for any business and individual to apply for many trademarks as requested, causing 26 million trademarks - currently in force - to be registered during the last 15 years, and many applicants using this system as a business model to sell trademarks.

Since the definition of bad faith in the legislation is not clear, it is deducted according to the examination practice (CIPO), which distinguishes 4 main groups. The first group concerns the free ride of famous, high-reputed marks and domain names of individual or others in bad faith. The second group is based on the ground of unfairly occupied public resources and relates to trying to register generic names and generic terminology in a particular profession in big quantity. The third group concerns the registration of a trade mark based on other people's prior right - for instance, famous book titles or video games as such. This practice generates misleading among the relevant public about the origin of the goods and services. The fourth group concerns the practice of repeatedly and consecutively registering the same mark to avoid the application of the 3 years rule of cancellation for non-use. This list is not exhaustive, as after 2019 the concept of bad faith has been extended to the practice of keeping the trademarks for the purpose to selling it for profits, or the practice of registering famous public places as trademarks.

She presented the ongoing case of a Chinese company which registered over 500 trademarks based on the trademark of Victoria Secret and then put them for sale on a website. This case emphasises the need of avoiding free riding practices that was set forth in the Trade Mark Law revision in 2019. This revision is particularly relevant in the current Covid pandemic scenario, as the trade mark function has become crucial now that people are doing shopping on line from home.

The effectiveness of the new legislation can be noticed looking at the increasing number of rejections of trade mark applications based on bad faith. In fact, in 2018 the Trade Mark Office of China rejected 100.000 applications, while in 2019 it rejected 40.000 applications and in 2020 bigger numbers are expected.

**Prof. Lin** noted, in conclusion, that scholars suggest that CIPO should ask trade mark applicants to submit evidence to prove that the mark applied has been used and is about to be used in a specific area, however this would result in that trade mark application to be granted only whether that business was already conducted. She doubts that in future Chinese courts will go as far as this. In fact, according to **Prof. Lin**, Courts should look to an approach to determine the amount of bad faith.

Asked about bad faith, **Prof. Calboli** discussed the example of the case of the registration in China of the mark Louboutin for lipsticks and other cosmetics not related to its business, thus reputed in bad faith. Also, Michael Jordan saga is an example of the use of the concept of bad faith not to prevent registration but to cancel already existing trademarks. In the US jurisdiction, a statement of the actual use is needed for a trade mark to be filed and registered, but she considers that actual use is a very low use in commerce. Another

## #GlobalDigitalEncounters

### Trademarks as a Business Tool: Towards a New Rebound

relevant example not properly concerning bad faith but clearly an illegitimate registration in US regards the copying and ripping-off of 'Havana Club' and 'Cohiba'. The WTO condemned the US for not recognising the Cuban places and using well known trademarks registrations that cannot be used in US because the products are subject to embargo law.

Asked about the same topic, **Prof. von Mühlendahl** suggested that China should tackle the problem of counterfeiting products and piracy by means of a legislation.

#### 4. Conclusions

Moderator **Prof. Casado Cerviño** emphasised the main points of the discussion, consisting of the dramatic increase of trade mark applications and the potential relation between the Covid pandemic and the changes in business model and in the bad faith practice. Moreover, the dramatic impact of new

technologies of the current industrial revolution can be connected to the increase of new kind of trademarks. In fact, apparently in Mexico they have accepted smell marks with a written description (rejected instead in EUIPO). This fact leads him to raise an open question about the potential relationship between bad faith, lack of use and the weaknesses of the global trade mark system.

Lara FARRUGGIA  
Letizia TOMADA