

VERSACE marks cancelled after 20 years
Israel - Gilat, Bareket & Co, Reinhold Cohn Group
July 22 2008

Cancellation
National procedures

In a precedential decision, the registrar of trademarks has cancelled five trademarks containing the word 'Versace' on the grounds that the marks had been registered in bad faith (June 29 2008).

In 1985 Versace 83 Ltd, an Israeli fashion retailer unrelated to the Italian luxury fashion house [Gianni Versace SpA](#), applied for the registration of five device marks containing the word 'Versace' (two using Latin characters, two using Hebrew characters and one combining both). Versace opposed the applications but subsequently withdrew its opposition. The marks were thus registered in 1989 (Registrations 60509, 60510, 60511, 60512 and 60184).

In 2001 Versace brought an action for passing off against Versace 83. The court issued an interim injunction that allowed Versace 83 to continue in business on the condition that it clearly distinguished itself from Versace. In parallel to the court proceedings, Versace requested that the registrar of trademarks cancel the marks on the grounds that registration was obtained in bad faith.

Versace 83 argued that the cancellation action was time barred, as the five-year time limit prescribed by Section 39(a) of the [Trademarks Ordinance](#) had expired. The registrar dismissed this argument, holding that an action for cancellation on the grounds of bad faith may be filed at any time under Section 39(a1) of the ordinance.

The registrar reiterated that trademark law has two objectives: to regulate private property rights and serve the public interest. The registrar held that the five-year time limit under Section 39(a) operates to confer a proprietary right on the trademark owner (even where the mark was initially ineligible for registration) which shall, upon expiry of the five-year period, and subject to the genuine use exception under Section 47 of the ordinance, prevail over the public interest in keeping certain signs free for use, at the expense of the integrity of the register, provided that the mark has been acquired and used in good faith. However, such right will not:

- apply where the mark was registered or used in bad faith; or
- prevail over a third party's vested rights where the mark is identical or confusingly similar to the third party's personal or business name under Section 12 of the ordinance.

The registrar noted that in contrast to the [Paris Convention for the Protection of Industrial Property](#), cancellation on the grounds of bad faith under the ordinance is based on registration, not use. As the registrar found that the marks at issue were registered in bad faith, he did not have to decide whether evidence of bad-faith use alone would be sufficient in a cancellation action. However, the registrar indicated that bad-faith use justified re-examination of a registration at any time and accepted evidence of bad-faith use as relevant. The registrar also noted that, in contrast to the Paris Convention, bad faith under

the ordinance is not limited to the context of well-known trademarks. However, he refrained from deciding whether VERSACE was well known in Israel at the time of registration.

The registrar also dismissed Versace 83's claim that Section 39(a1) of the ordinance (which was enacted in 1999) should not be applied retroactively to marks registered before 1999. The registrar held that fraudulently obtained registrations were liable to be cancelled at any time, even before Section 39(a1) came into force.

In addition, the registrar dismissed Versace 83's claim that Versace was precluded from seeking cancellation of the marks on the grounds of *res judicata* (as Versace had withdrawn its opposition). The registrar recalled that no final judgment had been given in the opposition proceedings. Moreover, the registrar dismissed the claim that Versace was estopped by acquiescence, indicating that the willingness to allow such claims decreases in proportion to the degree of bad faith shown in respect of the mark's registration.

Relying on US and EU case law (under which bad faith is mainly inferred from circumstantial evidence, and rarely from direct evidence relating to the owner's choice of the mark), the registrar found that:

- Versace 83's testimony as to its choice (and spelling) of the VERSACE marks was untrustworthy; and
- the cumulative circumstantial evidence showed that Versace 83 chose the marks in bad faith.

The registrar concluded that:

- Versace 83 had registered its marks in bad faith with an intent to confuse consumers as to the origin of the goods;
- Versace 83's use of the marks actually confused the public (ie, it used the Versace symbols, published its catalogue in English only, used Italian on its labels and abandoned its Hebrew marks); and
- Versace 83's use of the marks constituted unfair competition.

The registrar thus ordered that Versace 83's marks be removed from the register and awarded legal costs to Versace. The decision is subject to appeal to the Supreme Court.

David Gilat and Sonia Shnyder, Gilat Bareket & Co, Reinhold Cohn Group, Tel Aviv
© Copyright 2003-2009 Globe Business Publishing Ltd