

The BMX case: can a trademark registration be cancelled due to bad-faith use?

Orit Gonen and Rakefet Peled

Gilat, Bareket & Co, Reinhold Cohn Group

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- The mark owner sought to enforce rights in the letter combination 'BMX', despite owning only a registration for the BMX design mark
- Even though bad-faith use is not expressly mentioned as a ground for cancellation in the Trademarks Ordinance, such ground is applicable under Article 6(3)*bis* of the Paris Convention
- The registrar has the authority to intervene even where the parties have reached a settlement agreement

In a decision issued on 4 January 2023 (Application for cancellation and deletion of trademarks Nos 292289, 292348 and 334146), the Honourable Deputy Registrar of Patents, Designs and Trademarks of Israel considered whether it is possible to cancel the registration of a trademark on the ground of bad-faith use (rather than only on the ground that the application has been filed in bad faith), and whether the registrar has the authority to intervene and take measures even where the parties have reached a settlement.

Key findings

It was determined that the registrar has the authority to cancel a trademark if its owner uses it in bad faith. In the case at issue, the bad-faith use was by way of issuing warning letters through which, despite the fact that the registered marks were *design* marks, the owner tried to enforce its rights based only on the letter combination contained in the marks, disregarding the different designs. It was also determined that the registrar has the authority to intervene, even where the parties have reached a settlement agreement, in order to maintain the "purity of the Trademarks Register".

Facts of the case

The trademark owner, an importer of bicycles, applied for the registration of the design trademarks depicted below for various goods relating to bicycles:



During the examination, the trademark owner responded to an office action by noting that the combination of letters 'BMX' is commonly used by many bicycles manufacturers and importers, but each of them uses this letter component as part of a different design, with or without additional devices. In light of this clarification, the design marks were registered.

After registration, the trademark owner sent warning letters to bicycle importers in Israel, as well as to the customs authorities, claiming that the use of the letter combination 'BMX' infringed its trademarks, even though the importers did not use the specific design contained in the registered trademarks. As a result of the warning letters, goods imported to Israel by other bicycles importers were detained at Customs.

Against this background, two importers submitted a motion for cancellation of the design trademarks. Just before the scheduled hearing, each of the applicants reached a settlement agreement with the trademark owner, requesting that the agreements remain confidential.

Decision

Despite the settlement agreements, and based on the registrar's duty to keep the purity of the register, the registrar noted that such agreements might lead to the existence of ineligible marks due to commercial interests that the parties have resolved between themselves.

Further, based on the confirmation provided by the trademark owner during the examination process that the letter combination 'BMX' is not owned by a single party (but, rather, is used by many manufacturers and marketers of bicycles around the world), the registrar ruled that the trademark owner had acted in bad faith by pretending to have rights in such letter combination, as opposed to the design marks.

The registrar referred to the provisions of Section 39(a1) of the [Trademark Ordinance](#), which authorises the registrar to cancel a mark submitted for registration in bad faith. The registrar further referred to the fact that Section 39(a1) was enacted with the purpose of implementing Sections 22(3) and 23(2) of the [Agreement on Trade-Related Aspects of Intellectual Property Rights](#), as well as Article 6(3)*bis* of the [Paris Convention for the Protection of Industrial Property](#). Thus, despite the fact that the Trademarks Ordinance does not mention "used in bad faith" as a ground for cancellation, this ground is applicable as per Article 6(3)*bis* of the Paris Convention, according to which "no time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith".

The registrar determined that, since the parties chose to reach a settlement, there was no reason to determine that the trademark owner's bad faith justified the cancellation of the registered trademarks. Nevertheless, the registrar exercised her authority under Section 21(a) of the Trademarks Ordinance, which states that, if a trademark contains a component that is common in the trade or devoid of distinctive character, and the registrar considers that the owner of the mark is not entitled to the exclusive use of said component or part thereof, the registrar may demand that the mark owner waive its right to the exclusive use of such component as a condition to the registration of the trademark. It had already been held that the authority of the registrar under Section 21(a) applies when deciding whether a trademark will remain registered. In light of the trademarks owner's behaviour in this case (ie, trying to gain exclusive rights in the letter combination 'BMX', which is common to

the trade), the scope of protection afforded by the registered trademarks should be explicitly clarified. The registrar thus ordered that the following disclaimer be added: "The requested trademark will not provide exclusive rights in the letter combination 'BMX', except within the composition of the mark."

Comment

This decision not only highlights the registrar's authority to cancel a registered trademark due to use in bad faith based on the Paris Convention, but also indicates that a settlement agreement between the parties does not necessarily put an end to the dispute if the registrar believes that such settlement has the potential of harming the purity of the Trademarks Register.

Orit Gonen

Author | Partner

orgonen@gilatadv.co.il

Gilat, Bareket & Co, Reinhold Cohn Group

Rakefet Peled

Author | Partner

rapeled@gilatadv.co.il

Gilat, Bareket & Co, Reinhold Cohn Group