

PROTECTING INTERNATIONAL BRANDS: BAD FAITH FILING LEADS TO EXPUNGEMENT OF TRADEMARK REGISTRATION

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A trademark registration in Canada is invalid if the application for registration was filed in bad faith.^[1]

In the recent decision of *Beijing Judian Restaurant Co. Ltd. v Meng*,^[2] the Federal Court (the “**Court**”) explored the legislative intent behind this relatively new provision^[3] and the criteria for invalidating a trademark registration on the basis of bad faith, and demonstrated its willingness to protect international brands from bad faith actors.

Background

Beijing Judian Restaurant Co. Ltd. (the “**Applicant**”) operates a well-known chain of barbecue bar restaurants in China. Trademarks incorporating (i) the JU DIAN characters (聚点) in written and design form, (ii) an English stylized character design for the word “Partybase”, and/or (iii) a circle design (collectively, the “JU DIAN Marks”) have been heavily used to promote and in association with the Applicant’s restaurant services in China. The JU DIAN Mark incorporating all three elements is shown below:



Since 2011, the Applicant has also used the JU DIAN Marks on its social media accounts to promote its restaurant services to the Chinese population in and outside China.

In November 2017, the Applicant applied to register the following trademark in Canada, which incorporates the JU DIAN characters (the “**Canadian JU DIAN Mark**”):



In May 2018, the Applicant opened its first restaurant in Canada in Vancouver,

British Columbia. It opened a second restaurant in Richmond, British Columbia in 2019. The Canadian restaurants display and use the Canadian JU DIAN Mark.

Unbeknownst to the Applicant, an unrelated third party (the “**Respondent**”) had applied to register the following trademark in Canada prior to November 2017, in association with “restaurant services; take-out restaurant services” and “beer” based on proposed use (the “**Respondent Mark**”):



Notably, the Respondent Mark is nearly identical to the JU DIAN Mark shown above.

Around and after the time the Respondent Mark was registered (on April 25, 2019), the Respondent approached the Applicant several times, first demanding that the Applicant pay the Respondent \$1.5 million to acquire the registration for the Respondent Mark, then alleging that the Applicant had committed trademark and copyright infringement, then putting the Respondent Mark up for sale, then attempting to license the Respondent Mark at a fee of \$100,000 annually, and lastly opposing the Applicant’s application to register its Canadian JU DIAN Mark. In response, the Applicant sought to expunge the registration for the Respondent Mark on the basis that the application for such registration was filed in bad faith.

Federal Court’s Analysis

The Court held that the Applicant has the burden of establishing bad faith, which must be proved on a balance of probabilities. However, where there are facts that fall uniquely within the knowledge of the Respondent, circumstantial evidence and inferences from proved facts may be sufficient to establish the objectives of the Respondent at the time of filing.^[4]

The Court first examined the trademarks used by the Applicant in China and the trademark registered by the Respondent in Canada, and found that the Respondent Mark "is a direct reproduction" of the JU DIAN Mark depicted above, which is used in association with the Applicant's restaurants in China. The Court found it implausible that the Respondent could have created the Respondent Mark on his own and inferred that “the Respondent intended to obtain registration for the same mark that he knew was associated with the Beijing Judian restaurants in China”.^[5]

In addition, the Court found the Applicant’s evidence established that the Applicant had some reputation amongst at least the Chinese Canadian population in the Province of British Columbia at the time of filing the application of the Respondent Mark, through marketing and promotion efforts via the Applicant’s social media

accounts.^[6]

Further, the Court noted that while the Respondent filed a declaration of use, there is no evidence of the Respondent's use of the Respondent Mark for a commercial purpose.

The totality of circumstantial evidence and the reasonable inferences therefrom led the Court to conclude that the Respondent registered the Respondent Mark to extort money from the Applicant or to benefit from the Applicant's reputation in the JU DIAN Marks to obtain money from others.^[7] The Respondent did not provide any evidence to rebut the inferences drawn from the circumstantial evidence or to indicate any intention to use the Respondent Mark as a trademark in association with his own restaurant services.^[8]

The Court found that the Respondent registered the Respondent Mark without legitimate commercial purpose and that the circumstances surrounding the application for the registration of the Respondent Mark constituted bad faith; accordingly, the Court ordered that the Respondent Mark be expunged.^[9]

Notwithstanding its finding of bad faith, the Court declined to grant punitive damages on the basis that "bad faith" is not a separately actionable tort.^[10]

Takeaway

The Federal Court has once again demonstrated its willingness to consider evidence related to activities outside of Canada to protect the legitimate interests of stakeholders doing business in Canada and to protect these stakeholders from bad faith actors looking to capitalize on their reputation. While filing a trademark application in Canada is a step that a legitimate trademark owner should take to safeguard their trademark rights in Canada, being first to file is certainly not the be-all and end-all of trademark rights – particularly if such filing is done in bad faith.

[1][ps2id id='1' target=''] Trademarks Act, R.S.C., 1985, c. T-13 (the "**Act**") at s. 18(1)(e).

[2][ps2id id='2' target=''] 2022 FC 743.

[3][ps2id id='3' target=''] Ibid. at para. 32.

[4][ps2id id='4' target=''] Ibid at para 39.

[5][ps2id id='5' target=''] Ibid at para 41.

[6][ps2id id='6' target=''] Ibid at para 44.

[7][ps2id id='7' target=''] Ibid at paras 46-47.

[8][ps2id id='8' target=''] Ibid at para 50.

[9][ps2id id='9' target=''] Ibid at para 51.

[10][ps2id id='10' target=''] Ibid at para 64, citing *Fidler v Sun Life Assurance Company of Canada*, 2006 SCC 30 and *Whiten v Pilot Insurance Co*, 2002 SCC 18.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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