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Swiss IP News We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.



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Cancellation Request by Trademark Troll – Abusive?

In a recent decision, the Swiss Federal Administrative Court outlined the conditions under which a trademark cancellation request can be considered abusive. Interestingly, it found that the request brought by a trademark troll against Apple did not constitute an abuse of the law.

Background

On 20 April 2017, Sherlock Systems filed two cancellation requests against the two Swiss trademarks "SHERLOCK'S" and "SHERLOCK" owned by Apple and registered for software. With its decision of 15 April 2019, the Swiss Federal Institute of Intellectual Property (IPI) ordered the cancellation of the two contested trademarks. Apple was further ordered to bear the costs of the proceedings and to pay a compensation to Sherlock Systems for its legal fees.

Decision

On appeal, while Apple no longer maintained that the two attacked trademarks had been genuinely used, it argued that the cancellation requests constituted an abuse of the law. Sherlock Systems was controlled by an infamous trademark troll who was only interested in taking action against Apple in various jurisdictions, but neither intended to use the attacked trademarks nor had the infrastructure required to develop software. The Swiss proceedings had thus to be considered in the context of the various proceedings abroad.

In its decision of 23 March 2021 (B-2627/2019), the Swiss Federal Administrative Court held that, pursuant to the

Swiss Trademarks Act, any person may file a cancellation request against a trademark for non-use. The reason underlying this provision was the public interest in keeping the trademark register clean of trademarks that are invalid because they have not been genuinely used as such trademarks constituted a significant uncertainty for others.

The Court further argued that in the cancellation proceedings before the IPI the applicant had to credibly show that the attacked trademark had not been genuinely used. If the applicant failed to make credible that the attacked trademark had not been genuinely used, the request would be dismissed without hearing the trademark owner. Hence, even in case of a large number of cancellation requests, the trademark owner could not be unreasonably burdened thereby as action was only required in justified cases.

The Court concluded that no interest was required to file a cancellation request. Consequently, the IPI was correct in dealing with the cancellation requests without further verifying whether Sherlock Systems had a sufficient interest therein.

Nevertheless, according to the Court, a cancellation request may under certain conditions constitute an abuse of the law. For this to occur, however, the abuse must lie in the filing of the cancellation request itself. It is not sufficient if the abuse results from arguments outside the subject matter of the proceedings.

In the case at hand, Apple argued that Sherlock Systems was controlled by a trademark troll, had initiated numerous cancellation proceedings against trade-

marks of Apple and other companies, and did not develop any software itself. However, all these arguments did not relate to the use of the trademarks attacked by the two cancellation requests. They were thus found to be outside of the subject matter of the proceedings and not heard by the Court. The Court therefore dismissed Apple's appeal.

Comment

While it is to be welcomed that the Court does not require the applicant to show an interest in his cancellation request, the Court's stance on the abuse of the law seems too restrictive. When assessing whether a cancellation request is abusive, all aspects should be considered, including elements outside of the subject matter of the proceedings. For example, if a cancellation request is filed solely to incur unnecessary costs for the owner of the attacked trademark, the cancellation proceedings are initiated for a purpose other than for which they were conceived, which should be considered abusive.

Further, the Court errs in finding that if the attacked trademarks had not been used, the request would be dismissed without first hearing the trademark owner, and that, therefore, even many cancellation requests could not impose a disproportionate burden on the trademark owner. Rather, under current law and practice, the IPI has to provide the trademark owner with any cancellation request and set it a deadline to respond, except if the request is obviously inadmissible. Thus, even unfounded cancellation requests may cause a considerable burden for the trademark owner as it is required to submit a response and evidence. The compensation for party costs will in most cases not cover all respective costs of the trademark owner.

Finally, the decision contrasts with recent case law of the Boards of Appeal of the European Intellectual Property Office, which, in a matter involving the same parties, recently found a revocation request by Sherlock Systems to be

abusive (R 2642/2017). Ultimately, the decision by the Swiss Court may thus make Switzerland a more attractive venue for trademark trolls.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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