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Bad faith may be found also for different goods or services, says the Court of Justice

Sara Parrello, Fabio Angelini (Bugnion S.p.A) · Wednesday, October 23rd, 2019

The EU legislation does not provide for a definition of the concept of bad faith, but the EU case law in course of years has developed a number of criteria which offer guidance in assessing when a trademark was filed in bad faith.

In the latest bad faith case, Koton Mağazacilik Tekstil Sanayi ve Ticaret AŞ v. EUIPO, decided on Sept. 12, 2019,(C-104/18), the CJEU had to adjudicate whether the goods or services covered by the marks at issue should be identical or similar for the purposes of a finding of bad faith, and perhaps not surprisingly, it said they should not.

Mr. Nadal Esteban filed the following trademark for goods and services in classes 25, 35 and 39.

The company Koton Mağazacilik Tekstil Sanayi ve Ticaret AŞ (here in after “Koton”), owner, inter alia, of the trademark reproduced below, registered in classes 18, 25 and 35, filed an opposition.

The EUIPO upheld the opposition for classes 25 and 35, and the trademark was registered only for services in class 39. Koton subsequently filed an invalidity action on the ground that Mr. Esteban’s mark had been filed in bad faith. The EUIPO rejected it because of lack of sufficient evidence that the applicant was in bad faith at the time of filing. Koton filed an appeal which was dismissed both by the Board of Appeals (BOA) and the General Court (GC) on the grounds that the services in class 39

were dissimilar to the goods and services claimed by the Koton's earlier marks (classes 18, 25 and 35). In absence of likelihood of confusion, there could not be bad faith.

Koton (supported also by EUIPO) argued before the CJEU an error in law based on a misunderstanding of the judgment of 11 June 2009, Chocoladefabriken Lindt & Sprüngli (C-529/07). If the BOA and the GC had properly taken into account the relevant time referred to in Article 52(1)(b) of Regulation No 207/2009, this would probably have resulted in their finding that the applicant had acted in bad faith by trying to appropriate the word and figurative element 'KOTON' displayed on the earlier marks. That finding would then have led to a declaration that the contested mark is invalid in its entirety, regardless from any consideration about the existence of a likelihood of confusion, which would moreover amount to misconstruing the difference between the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 and the relative ground for invalidity referred to in Article 53(1)(a).

The CJEU observed that in absence of specific rules of law, bad faith must be interpreted considering its ordinary meaning – which consist of dishonest state of mind or intention – contextualising it in trademark law, in particular in light of the essential function of a trademark that is to distinguishing the commercial origin of a product. Consequentially, bad faith in trademarks, may consist of the applicant's intention of undermining the interests of third parties, or of obtaining an exclusive right for purposes other than distinguish its goods and services from those of other undertakings.

As already held in Lindt, bad faith is a "subjective" factor, that must however be established objectively, taking into account all the factual circumstances relevant to each particular case at the time of filing the contested trademark. It is true, recognized the CJEU, that in Lindt the CJEU had indicated some criteria to assess bad faith in a situation in which likelihood of confusion was already established.

However, the CJEU held that it does not follow from Lindt that bad faith necessary implies likelihood of confusion. There is no requirement that the applicant for a declaration of invalidity must be the proprietor of an earlier confusingly similar mark or that there is use of identical or similar signs by third party in the internal market. Even in the absence of likelihood of confusion, there might be other factual circumstances that may reasonably constitute relevant indicia of bad faith.

Therefore, it follows that, by holding that '*bad faith on the part of the applicant for registration presupposes that a third party is using an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought*', the General Court misread the case-law of the Court of Justice and conferred too restrictive a scope on Article 52(1)(b) of Regulation No 207/2009.

The CJEU decision seems reasonable as it recognizes that bad faith may come in all forms and shapes. A strict and formal pre-requisite like requiring identity/similarity between signs and goods and services in order to claim bad faith, on the one hand

would not really contribute to the system of undistorted competition in the EU, and on the other hand would not be justified where it is apparent from relevant and consistent indicia that the proprietor has filed an EUTM application not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark. It will be interesting to see, whether national Courts will also follow this principle.

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