

SHAPING BAD FAITH AS AN ABSOLUTE GROUND FOR THE INVALIDITY OF A TRADE MARK: EU, FRENCH, AND LITHUANIAN APPROACHES

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Abstract. The provision of bad faith as a ground for the invalidity of a trade mark is set out by the EU trade mark regulation, and has been incorporated in the national trade mark systems by the means of approximation of laws within the EU Members States in order to encourage the development of the internal market within the EU. However, the legislative background does not provide for any guidance for either the definition of or relevant factors for the assessment of the existence of bad faith. In recent years, the provision of bad faith as a ground for the invalidity of a trade mark has been subject to important developments clarifying its conditions and effects by the highest courts of the EU. This paper therefore aims to introduce the provision of bad faith, the conditions under which its existence is assessed, and its effects on the registered trade mark by also comparing the approaches at both the EU and national levels, as they are closely linked by the harmonised legislative framework in relation to bad faith as a ground for the invalidity of a trade mark.

Keywords: absolute ground for invalidity, bad faith, trade mark.

Introduction

“Creativity is without a doubt the most important human resource of all. Without creativity, there would be no progress, and we would be forever repeating the same patterns” (De Bono, 1999). Within the European Union, creativity as well as innovation are encouraged through means of enforcing intellectual property rights (European Court of Auditors, 2020). In a market economy, the primary relevance of those rights consists in their economic value (Opinion of Advocate General Sharpston, 2016). In this regard, intellectual property law plays an important role by not only encouraging creativity and innovation but also by compensating investments made by undertakings and, therefore, is important for the competitiveness of the EU. Intellectual creations, which can be protected by granting exclusive rights to their owners, can be distinguished into two types, namely: 1) industrial and 2) artistic and literary property³. Although intellectual property law encompasses protection for a wide range of different rights such as patents, trade marks, designs, copyrights, or geographical indications, the present article will only concentrate on trade marks following recent developments in the case law in regards to their protection.

Regulation (EU) 2017/1001 (the “Regulation 2017/1001”) on the European Union trade mark, codifying all the previous regulations on the EU trade mark in order to clarify the EU trade mark system, defines a trade mark as a sign capable of distinguishing the goods or services of one undertaking from those of other undertakings and of being represented on the Register of European Union trade marks in a way which enables the competent

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³In accordance with the definition provided on the website of the European Parliament <https://www.europarl.europa.eu/factsheets/en/sheet/36/intellectual-industrial-and-commercial-property>

authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor (see Article 4). In fact, trade marks create a connection between an undertaking and its goods or services commercialised under the sign, allowing consumers to repeat a pleasant experience which resulted from choosing to buy goods or services of that undertaking by recognising them under its trademark.

According to the case law, the EU trade mark regime is an autonomous system with its own set of objectives and rules peculiar to it; it applies independently of any national system (*Budějovický Budvar*, 2011, paragraph 36). However, in parallel to the EU trade mark system, national trade mark protection systems exist. This means that a trade mark can be registered at a national level or at the EU level, creating a coexisting system of protection of trade marks in the EU and leaving the choice to each undertaking to decide the scope of protection it seeks for. However, in principle, a trade mark registration system is based on the ‘first-to-file’ rule, meaning that a sign may be registered as a European trade mark only in so far as this is not precluded by an earlier mark. The latter can be registered whether within the EU, in a Member State, under international arrangements which have effect in a Member State, or in a trade mark registered under international arrangements which have effect in the European Union. The application of this rule is moderated, inter alia, by the provision of bad faith (*Peeters Landbouwmachines v. OHMI*, 2012, paragraphs 16 & 17). In fact, the registration of a trade mark can be considered vitiated and, therefore, declared invalid if the proprietor of a contested trade mark was acting in bad faith when lodging the application for the registration of that trade mark.

Following recent case law developments at the European level which have importantly shaped this ground for the invalidity of a trade mark, this paper aims to introduce the provision of bad faith, conditions under which its existence is assessed, and its effects on the registered trade mark at the European level, as well as its application at the national level.

1. Shaping bad faith: a definition

According to Article 59(1)(b) of Regulation 2017/1001, an “EU trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings, where the applicant was acting in bad faith when he filed the application for the trade mark”. However, the EU legislature does not provide any definition of the term “bad faith”. According to the settled case law, in such a situation, the meaning and scope of the term must be considered bearing in mind its usual meaning in everyday language whilst also taking into account the context in which it occurs and the purposes of the rules of which it forms a part (*EasyCar*, 2005, paragraph 21; *Wallentin-Hermann*, 2008, paragraph 17; *UGT-FSP*, 2010, paragraph 39).

Whilst in everyday language the concept of bad faith implies the presence of dishonest intention, it should be understood in the context of trade mark law and more particularly in the context of trade (*Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO*, 2019, paragraph 45). In this regard, it is worth noting that a system of trade mark protection at the EU level has been established in order to promote the development of economic activities and continuous and balanced expansion within the internal market, mainly aiming at contributing to the system of undistorted competition in the Union (*Lego Juris v. OHMI*, 2010, paragraph 38; *ÖKO-Test Verlag*, 2019, paragraph 40) in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs enabling the consumer, without any possibility of confusion, to distinguish those goods or services from others which have another origin (*Merz & Krell*, 2001, paragraphs 21 & 22; *Arsenal Football Club*, 2002, paragraphs 47 & 48; *Alcon v. OHMI*, 2007, paragraphs 53 & 54). It follows that the absolute ground for the invalidity of a trade mark on the basis of the provision of bad faith aims to prevent registrations that do not comply with honest practices in trade. Therefore, a trade mark which was registered without any intention contrary to the above-mentioned essential function of guarantee of origin of goods or services does not fall under the scope of the provision of bad faith.

In order to meet the objectives of Regulation 2017/1001 and to achieve a well-functioning, competitive internal market, it is, however, crucial that the concept of bad faith is interpreted in a uniform way. In the *Malaysia Dairy Industries* (2013) judgement, subject to a preliminary ruling on the interpretation of Directive 2008/95 (now Directive 2015/2436), aiming at the approximation of the laws of the EU Member States and as far as it provides for the invalidity of a trade mark under the provision of bad faith, in the light of the settled case law, the Court of

Justice held that when the terms of a provision of EU law make no express reference to the law of the Member States for the purpose of determining its meaning and scope, they must normally be given an independent and uniform interpretation throughout the European Union, this being also applied to the concept of bad faith (see paragraphs 25 and 29).

It follows that the definition of bad faith, as it is apprehended by the Court of Justice, is uniform within the EU. A uniform application of that definition guarantees the absence of different interpretations of the concept of bad faith within the EU and, therefore, allows pursuing the objectives of a well-functioning and competitive internal market system.

2. Broad locus standi and temporal considerations of the assessment of bad faith

Bad faith constitutes an absolute ground for invalidity aiming to protect the general interest. Contrary to relative grounds for invalidity, the action for the invalidity of a trade mark on the basis of bad faith has a broad *locus standi*, as it can be brought before the competent authorities not only by the holders of earlier rights but by any natural or legal person (*Holzer y Cia v. EUIPO – Annco*, 2019, paragraph 56). However, as the good faith of the proprietor of a contested trade mark is presumed, it is for the applicant who brings the action before the competent authorities to prove otherwise (*pelicantravel.com v. OHMI – Pelikan*, 2012, paragraph 21).

As the EU legislation does not provide for any guidance on relevant factors to take into account in order to establish the bad faith of the proprietor of a contested trade mark, the case law provides examples of circumstances and factors that may lead to the conclusion that an application for the registration of a trade mark was lodged by an applicant driven by dishonest intentions.

The relevant moment to assess whether an application for the registration of a trade mark was lodged in bad faith is, in principle, the date of filing of that application (Regulation 2017/1001, Article 59(1)(b) and *Moreira v. EUIPO – Da Silva Santos Júnior*, 2019, paragraph 15). Consequently, circumstances that are taken into account for the assessment of the bad faith of the proprietor of a contested trade mark normally precede the date of the filing or, as the case may be, coincide with that date.

However, some of the circumstances prior to the filing might not be self-indicatory of the bad faith of the applicant, or might not be sufficient to establish bad faith but might appear as such when taken into account in combination with other circumstances following the moment of the filing of the application. In *Airhole Facemasks v. EUIPO – industrysurf* (2017), the General Court ruled that the actions of the proprietor of the contested trade mark following the filing of that trade mark – for example, failure to inform the applicant in whose request the trade mark registration had been lodged about the filing of the application, failure to transfer the trade mark despite the express undertaking to do so and, furthermore, giving notice to the applicant to cease using the contested mark, failing which it would bring infringement proceedings – together with other relevant circumstances preceding the filing, allowed for the conclusion that the proprietor of the contested trade mark sought to usurp the applicant's rights and, therefore, did not have any legitimate objective to lodge the contested trade mark registration in its own name (see paragraphs 41 and 42). In addition, in *Holzer y Cia v. EUIPO – Annco* (2019), the General Court upheld the EUIPO's assessment considering that the use of trade marks following the application for registration clarified the proprietor's dishonest intentions at the time of filing and needed to be given consideration in the assessment of the existence of the bad faith of the proprietor of contested trade marks (see paragraph 126).

The same approach concerning the relevant moment to assess whether an application for the registration of a trade mark was lodged in bad faith is also followed by national courts of the Member States of the EU. For instance, the Court of Cassation of France, after recognising that the relevant moment for assessing the bad faith of the proprietor of the contested trade mark is the date of the filing, censured the Court of Appeal for refusing to take into account the circumstance that the proprietor of the contested trade mark has refrained from any exploitation of the contested trade mark for the sole reason that it was subsequent to the filing date. The Court in question specified that, taking into account the subjective nature of the intentions of the proprietor which must be assessed in regard to all the relevant factors of a particular case, the latter can also be subsequent to the filing date (Decision No. 13-18.025, 2015; also, see to that effect Decision No. 15/05052, 2016). Similarly, the Supreme Court of

Lithuania emphasised that circumstances subsequent to the filing date shall be taken into account only if they confirm the relevant circumstances or play a role in identifying such circumstances on the filing date (Decision No. 3K-3-507/2009, 2009).

It follows that some circumstances that have occurred after the lodging of an application for the registration of a trade mark may be taken into account if they are likely to clarify the intentions of the applicant at the moment of the filing. Such an approach seems justified in regards to the complexity of the assessment of the subjective factor that is the intention of a proprietor of a contested trade mark and the variety of situations that arise from claims for the invalidity of the registration of a trade mark on the basis of the provision of bad faith.

In fact, on the one hand, allowing the contrary might constitute an artificial burden of proof on the applicant bringing the action before the competent authorities against the registered trade mark. On the other hand, the approach confined strictly to the circumstances preceding or coinciding with the moment of the very filing would risk not taking into account all of the eventually relevant factors of the case and, consequently, could lead to the erroneous assessment of the real motivation underlying the application for the registration of a trade mark.

3. Shaping the assessment of the bad faith of a proprietor of a contested trade mark: an overall assessment of the specific circumstances of each case

According to the settled EU case law, the provision of bad faith implies the existence of a subjective element which must be determined in light of the objective circumstances of the case (*ChocoladeFabriken Lindt & Sprungli*, 2009, paragraph 42). This not only means that the provision under Article 59(1)(b) of Regulation 2017/1001 is based on subjective criteria in contrast to relative grounds for the invalidity of trade marks, for instance, but also that the assessment of the bad faith of a proprietor of a contested trade mark cannot be confined to a pre-determined category of factors applicable to each case. National courts also follow this approach, without hesitating to emphasise the necessity of the assessment of the bad faith of the proprietor of a contested trade mark based on all relevant circumstances of a specific case (Decision No. 3K-3-482/2003, 2003; Decision No. 3K-3-325/2006, 2006; Decision No. 3K-3-250/2008, 2008).

As a matter of example, in *ChocoladeFabriken Lindt & Sprungli* (2009), which was subject to a reference for a preliminary ruling on the interpretation of Article 51(1)(b) of Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark (now Article 59(1)(b) of Regulation 2017/1001), the Court of Justice held that among all the relevant factors of the specific case at the time of the filling of the application stand, in particular: 1) the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought; 2) the applicant's intention to prevent that third party from continuing to use such a sign; and 3) the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought.

Even though the formulation used by the Court in this decision did not imply that the establishment of bad faith is limited to the existence of these three factors listed above, it resulted from the following case law that these factors were constantly relied on not only by the EU courts but also by the national courts (Decision No. 12/13080, 2013).

However, it should be noted that these three factors constitute only examples of a number of circumstances which can be taken into account for the assessment of the intentions of the applicant for the registration of a trade mark (*Peeters Landbouwmachines v. OHMI – Fors MW*, 2012, paragraph 36). Recently, in *Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO* (2019), whilst explaining the factors relevant for the assessment of the bad faith of the proprietor of the contested trade mark arising from the *ChocoladeFabriken Lindt & Sprungli* case (2009), the Court of Justice held that it cannot be inferred from the latter decision that the application for the registration of a trade mark is to be considered to be lodged in bad faith only in that situation. The highest Court of the European Union underlined that there could be other situations that are not related to the situation which arose from the *ChocoladeFabriken Lindt & Sprungli* case (2009) and in which the bad faith of the proprietor of the contested trade mark could be characterised (see paragraphs 51 and 52).

In parallel, other circumstances have been taken into account in the context of the overall assessment of the existence of the bad faith of a proprietor, such as the origin of the contested sign and of its use since its creation, the commercial logic underlying the filing of the application for registration of that sign as an EU trade mark, and the chronology of events leading up to that filing (*Pangyrus v. OHMI – RSVP Design*, 2015, paragraph 68; *Holzer y Cia v. EUIPO – Annco*, 2019, paragraph 54). As the number of different factors that may be taken into account by the competent authorities is important, the present paper will describe only a few of them, given recent developments in their regard by the competent authorities within the EU.

3.1. Broad interpretation of the factor relating to the prior knowledge by the proprietor of the contested trade mark of the use of a similar or identical sign for similar or identical goods or services capable of being confused with the sign for which registration is sought.

In regards to the factor relating to the prior knowledge by the proprietor of the contested trade mark of the use of a similar or identical sign for similar or identical goods or services capable of being confused with the sign for which registration is sought, it should firstly be noted that the scope of that knowledge is not confined to the European Union market (*Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO*, 2019, paragraphs 51, 52 & 55). In *Target Ventures Group v. EUIPO – Target Partners* (2020), the General court censured the Board of Appeal for upholding the Cancellation Division’s analysis and restricting its own examination to whether the intervener had knowledge of the use by the applicant or a third party of the sign TARGET VENTURES in the context of its business activities within the European Union, as in doing so the Board of appeal applied that factor in an incomplete manner (see paragraph 47).

Secondly, both European and national courts admit that the knowledge of a proprietor of a contested trade mark of the use by a third party of a sign can be personal or general. The first scenario concerns, for instance, the knowledge resulting from the direct relations of the parties when the proprietor of a contested trade mark has a substantial holding in the other party’s share capital and occupies a high-level position in the third party’s management or on its board of directors (*SA.PAR.v. OHMI – Salini Costruttori*, 2013, paragraph 25), or even when parties carry out a joint communication operation for a specific project (Decision No. 05-10.462, 2007). The second scenario concerns situations where the proprietor, acting in a particular economic sector, is presumed to have knowledge of that sector and of its actors (*Holzer y Cia v. EUIPO – Annco*, 2019, paragraph 110), such knowledge being able to be inferred, for instance, from the significance (Decision No. 10/13268, 2011), notoriety, or duration (*ChocoladeFabriken Lindt & Sprungli*, 2009, paragraph 39) of the sign in that economic sector. However, awareness of the use of a sign does not always result automatically from knowledge of the field of the activity and its actors by the proprietor of the contested trade mark. In fact, French courts ruled that, to be taken into account, the previous use of a sign must enjoy a certain consistency. For instance, the Court of Appeal of Bordeaux held that the low volume of previous exploitation, limited to the agglomeration of Bordeaux and devoid of real notoriety, legitimised the ignorance of its depositor (who was not a professional chocolate maker), being furthermore specified that the banality of the formula does not allow one to immediately rule out the hypothesis that the idea of the creation of a specific sign came to the mind of the applicant without his knowledge of a previous use (Decision No. 11/05041, 2013).

Thirdly, one rather interesting aspect of the present factor under analysis concerns the identity or similarity of the contested trade mark and the earlier sign, as well as the identity or similarity of goods or services that the contested trade mark and the earlier sign cover. In fact, the situations that arose in front of the courts concerned mostly registrations of quasi-identical or highly similar signs for identical or similar goods or services that, by their nature, did not cause any particular problem for the assessment of this factor for the establishment of bad faith. In parallel, in some cases the General Court seemed to criticise the absence of the analysis of the likelihood of confusion by the EUIPO (*Feng Shen Technology v. OHMI – Majtczak*, 2012, paragraph 40).

However, the Court of Justice has recently clarified that such a requirement is not mandatory. In *Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO* (2019), the intervener lodged an application for the registration of a figurative European trade mark – Stylo & Koton – in respect of goods in class 25 and services in classes 35 and 39 of the Nice Agreement. Firstly, the appellant filed a notice of opposition relying on its two earlier figurative trade marks Koton registered, respectively, for goods in classes 25 and 35; and 18, 25, and 35. The opposition

succeeded in respect to classes 25 and 35. However, the figurative trade mark Stylo & Koton was registered for the services in class 39 that were dissimilar to the goods and services covered by the appellant's trade marks. The appellant then filed an application for a declaration that the trade mark was invalid on the basis of the provision of bad faith. This action failed before the Cancellation Division as well as the Board of Appeal, the latter's decision being upheld by the General Court. Before the Court of Justice, the intervener claimed that it did not make sense to assess the existence of bad faith in the absence of any likelihood of confusion. The EUIPO, however, advanced that considering that the finding of bad faith presupposes the existence of a likelihood of confusion would amount, as the appellant argued before the General Court, to misconstruing the difference between the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No. 207/2009 (now Article 59(1)(b) of Regulation 2017/1001) and the relative ground for invalidity referred to in Article 53(1)(a) (now Article 60(1)(a) of Regulation 2017/1001) of that Regulation. The Court of Justice agreed with the EUIPO and the appellant, and ruled that the General Court misread the case law of the Court of Justice and conferred too restrictive a scope on the provision of bad faith when considering 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" (see paragraph 57). The Court of Justice insisted that it is exactly in this regard that the absolute ground for invalidity on the basis of Article 52(1)(b) of Regulation No. 207/2009 (now Article 59(1)(b) of Regulation 2017/1001) is different from the relative ground for invalidity referred to in Article 53(1)(a) (now Article 60(1)(a) of Regulation 2017/1001).

Moreover, in *Holzer y Cia v. EUIPO – Annco* (2019), the General Court also emphasised that the applicant for a declaration for invalidity invoking bad faith cannot be systematically required to establish the existence of a likelihood of confusion, within the meaning of Article 8(1)(b) of Regulation 2017/1001, between the earlier trade mark of which he is the owner and of the contested mark. As the EUIPO and the intervener noted at the hearing, doing so would largely deprive the provisions of Article 59(1)(b) of Regulation 2017/1001 of their effectiveness (see paragraph 56). In addition, it seems that this approach will also most likely be followed at the national level (Decision No. NL20-0021, 2021).

It follows from the previously cited case law that the factor related to the prior knowledge by the proprietor of the contested trade mark of the use of a similar or identical sign for similar or identical goods or services capable of being confused with the sign for which registration is sought has been subject to a number of important clarifications in recent years. These clarifications have resulted in the broad interpretation of this factor, which requires taking into account the specific circumstances of each case in respect of the rationale behind the provision of bad faith, mainly the protection of general interest and sanctioning unfair practices within the internal market.

In addition, it should be noted that this factor is, however, applied with some precaution by the EU courts, which refuse to consider it as sufficient to establish the bad faith of the proprietor of a contested trade mark on its own. In fact, in *ChocoladeFabriken Lindt & Sprungli* (2009) and *Malaysia Dairy Industries* (2013), the interveners, Member States, suggested that the factor in question should suffice in order to establish the bad faith of the proprietor of the contested trade mark. Moreover, they added that asking to prove the intentions of the proprietor would put too heavy a burden on the applicant for the invalidity of a trade mark on the basis of the provision of bad faith. However, the Court of Justice did not follow this approach, ruling that consideration must also be given to the applicant's intention at the time when they file the application for registration. That the emphasis on the fact that the prior knowledge by the proprietor of the contested trade mark of the use of a similar or identical sign for similar or identical goods or services capable of being confused with the sign for which registration is sought is not enough to conclude the existence of the bad faith of the proprietor of a registered trade mark is also clear in the national courts' case law (Decision No. 12/13080, 2013; Decision No. 3K-3-507/2009, 2009).

On the one hand, such an approach seems justified as the provision of bad faith is intended to protect general interest and to sanction the actions of the proprietor that are inconsistent with honest practices, instead of protecting earlier rights. On the other hand, given the heavy consequences of the declaration of the invalidity of a trade mark on the basis of the provision of bad faith, it is not surprising that the choice of the burden of proof consisting in establishing the dishonest intentions of the proprietor is also heavier on the applicant for the declaration of the invalidity of a contested trade mark.

3.2. *The intentions of a proprietor of a contested trade mark, a subjective factor to be assessed in light of the objective circumstances of a case*

Another factor taken into account by the competent authorities for the assessment of the existence of bad faith at the time of the filing of the registration of a trade mark concerns the intention of the proprietor of a contested trade mark. The particularity of this factor lies in its subjective nature. The intention of the proprietor therefore needs to be determined in light of the objective circumstances of each case, as this is the only way to objectively assess the existence of bad faith (*ChocoladeFabriken Lindt & Sprungli*, 2009, paragraph 22). It results from the case law that attempts to, for example, appropriate a trade mark of the other party, register a trade mark without the intention to use it, or create an association with earlier rights in order to exploit them commercially may characterise the bad faith of the proprietor of the contested trade mark.

As far as the attempts to appropriate a trade mark of another party are concerned, in *Tehrani v. EUIPO – Blue Genes* (2021), when considering the circumstances surrounding the application for registration of the contested trade mark, the General Court took into account a distribution agreement between the proprietor of a contested trade mark and the predecessor of the other party, signed one year preceding the filing of the registration of the contested trade mark. That agreement expressly acknowledged that the rights of the Earnest Sewn sign, which was identical to the contested trade mark, were owned by the predecessor of the other party. The proprietor argued that it was irrelevant to take the distribution agreement into account whilst assessing the existence of his bad faith because acting as a managing director did not make him a party to that agreement. He added that, consequently, none of the terms in that agreement had any binding effect with regard to him (see paragraph 42). However, the General Court was not convinced by the proprietor's arguments and pointed out that, in regards to the intention of the proprietor of a contested trade mark which is a subjective factor, the fact of acting as a natural person is irrelevant for the assessment of that intention (see paragraph 49). What mattered for the General Court was not the specific legal value or binding nature of the agreement in question, but its substantive content (Cornu & Dumont, 2021) as well as the sequence of other events – for example, entering into negotiations with the other party's predecessor in law aiming to acquire exclusive rights to the Earnest Sewn trade mark following the termination of the distribution agreement and the registration of the identical trade mark in his own name a few months later. The General Court underlined that the sequence of events resulted in an actual attempt to appropriate the trade mark in one or another way.

The national courts also consider intentions aiming to appropriate a trade mark of the other party as characterising the bad faith of the proprietor of a contested trade mark. For instance, the Court of Cassation of France censured the judges of the appeal instance for not having investigated if the proprietor of a contested trade mark, BÉBÉ Lilly, sought to appropriate this name by depriving the author of a song of the possibility of using it in his activity and of developing works containing this name (Decision No. 15-15.750, 2017).

However, the registration of a trade mark without any intention to use it constitutes a more delicate issue for the assessment of the bad faith of the proprietor of a contested trade mark. In this regard, it has been argued that the provision of bad faith should be limited to cases of applications for the registration of a trade mark without genuine intention to use the trade mark. However, this approach has not been followed by the EU courts (*ChocoladeFabriken Lindt & Sprungli*, 2009). In fact, under EU trade mark law, proprietors have five years to put their registered trade mark in genuine use (Regulation 2017/1001, Article 18). This means that proprietors of registered trade marks are not obliged to know the use which will be made of the trade mark applied for at the moment of the filing of this registration.

In addition, the mere fact that the applicant had no economic activity corresponding to the goods or services covered by the registered trade mark is not in itself sufficient to conclude the existence of the unfair intentions of the proprietor when lodging the application of their trade mark.⁴ What matters is, in fact, whether or not the applicant for the registration of the trade mark had the intention either of undermining, in a manner inconsistent

⁴ In *Peeters Landbouwmachines/OHMI – Fors MW* (2012), the General Court underlined that it was legitimate for an undertaking to seek the registration of a trade mark, not only for the categories of goods and services which it markets at the time of filing the application, but also for other categories of goods and services which it intends to market in the future.

with honest practices, the interests of third parties, or 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, in which case this registration would have no rationale in the light of the objectives pointed by Regulation 2017/1001 (*Sky e. a.*, 2020, paragraph 81).

Therefore, the mere fact that a proprietor of a contested trade mark registered a trade mark without any intention to use it at the time of filing cannot automatically lead to the recognition of the bad faith of the proprietor of that trade mark. In fact, it is only if it results from other circumstances surrounding the registration of the contested trade mark that the proprietor lodged the application in order to prevent a third party from gaining access to the market (*Sky e. a.*, 2020, paragraph 44) or to gain economic advantages from opposing the registration of identical or similar trade marks of other applicants (*Copernicus-Trademarks v. EUIPO – Maquet*, 2016, paragraph 126), that the registration of a trade mark without any intention to use it at the time of the filing may characterise the unfair intention of the proprietor of a registered trade mark which needs to be taken into account for the assessment of the existence of bad faith.

At the national level, the courts also had occasion to underline that if the absence of any intention to use the sign may be considered as a relevant circumstance to assess the existence of the dishonest intentions of the proprietor of a contested trade mark at the time of filing of the registration, this sole fact is not sufficient to conclude the bad faith of that proprietor (Decision No. 3K-3-507/2009, 2009). It has also been specified that, if at the time of the action brought before the competent authorities under the provision of bad faith, the fact that the proprietor does not use the registered trade mark is not in itself indicative of the proprietor's bad faith, especially when such an absence of use has not lasted more than 5 years since the registration (Decision No. 2A-505-798/2016, 2016).

However, the fact that the proprietor filed the registration without any intention to use the trade mark but rather to, for instance, force third parties to subscribe to licenses with that proprietor may lead to the conclusion of the existence of the bad faith of the proprietor at the filing of the application of a trade mark (Decision No. 03-12.319, 2004). In fact, the courts go even further in recognising that, if the trade mark right conferred by the registration can affect the general interest of other operators in the same economic sector in a way that the registration is intended to make a sign unavailable to all those who have a legitimate interest in using it, the registration of the contested trade mark may be considered to have been filed in bad faith (Decision No. 03-12.319, 2004). Moreover, the Court of Cassation of France ruled that the Court of Appeal vitiated its reasoning by an error of law when dismissing the action on the basis of the provision of bad faith after considering that the producer, who attributed the pseudonym to the artist to designate the artist herself, knew that that artist needed to have this pseudonym at her disposal for her artistic activities at the time of the filing of the registration of the trade mark. Therefore, it has been considered that the registration of the contested trade mark was driven by the proprietor's intention to deprive the artist of a sign necessary for her activity and, therefore, that this action constituted bad faith (Decision No. 04-15.641, 2006).

However, if the proprietor of a contested trade mark has a legitimate interest in registering the contested trade mark – for instance, when several producers are using identical or similar signs for identical or similar goods capable of being confused with the sign for which registration is sought in order to prevent use of that sign by a newcomer in the market who tries to take advantage of that sign by copying its representation (*ChocoladeFabriken Lindt & Sprungli*, 2009, paragraphs 48 & 49), when the reputation of a sign justifies a proprietor's interest in ensuring legal protection for its sign (*ChocoladeFabriken Lindt & Sprungli*, 2009, paragraphs 51 & 52), or when such registration is in line with the proprietor's legitimate commercial strategy which consists in developing its commercial activities (*Cipriani v. EUIPO – Hotel Cipriani*, 2017, paragraphs 45 to 47) – then the circumstances surrounding the registration of the contested trade mark may fall out of the scope of the provision of bad faith.

3.3. Commercial strategy of the proprietor of a contested trade mark: between legitimate and dishonest actions in the course of trade

In regards to the commercial strategy of the proprietor, which can be described as a set of coordinated actions to achieve key opportunities in order to make business profitable, it is worth remembering that, in the context of trade, trade marks constitute assets of companies used in commerce in order to distinguish their goods or services

from other competitors' goods or services. Therefore, for the registration of a trade mark to be considered as filed in good faith, the intention behind the proprietor's commercial strategy should aim to engage fairly in competition within the internal market (*Holzer y Cia v. EUIPO – Annco*, 2019, paragraph 31; *Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO*, 2019, paragraph 46) in order to attract and retain customers via the quality of its goods or services.

Whilst the good faith of the proprietor of a contested trade mark is, in principle, presumed, the absence of any credible alternative explanation of the aim and content of its actions may lead the competent authorities to consider the course of the actions as a part of a commercial strategy as characterising the proprietor's bad faith. In this regard, the proprietor is best-placed to provide information regarding its intentions at the time of applying for the registration of that mark and to prove that those intentions were legitimate (*Birkenstock Sales v. EUIPO*, 2016, paragraph 136; *PayPal v. EUIPO – Hub Culture*, 2017, paragraphs 51–59).

In *Holzer y Cia v. EUIPO – Annco* (2019), the General Court upheld the Board of Appeal's decision, considering that the sequence of different circumstances – among others, the creation of trade marks identical or similar to the other party's trade marks and their registration for watches, a market segment close to the goods covered by the other party's trade marks, without that party's consent who expressly opposed the use of those trade marks – provided the proprietor with the implementation of trade strategies resulting in creating an association with earlier signs (see paragraphs 124–126). The General Court was not convinced by the proprietor's argument that the registration of its trade marks in Europe was part of a commercial strategy seeking to extend the protection of its earlier Mexican trade marks as the latter did not provide any evidence which could contradict the conclusion that the registration and use of the contested trade marks had different objectives from the registration and use of its trade marks in Mexico (see paragraphs 160 and 161).

In addition, strategies seeking to create an association are rather common in regards to well-known and reputed trade marks in order to 'free-ride' on their reputation (see to that effect *Simca Europe v. OHIM – PSA Peugeot Citroën*, 2014, paragraph 56) and to benefit from their attractive force (*Moreira v. EUIPO – Da Silva Santos Júnior*, 2019, paragraph 55). In fact, creating such an association may confuse consumers who would choose goods or services under the contested trade mark intending to receive goods or services from the same origin and experience the same quality as they would under the reputed trade mark.

However, even in the absence of a reputed or well-known trade mark, if it can be inferred from the circumstances of a particular case that the proprietor of a contested trade mark had an interest in using its trade mark in such a way as to create an association with the earlier sign, such a use may characterise the bad faith of the proprietor resulting from its commercial strategies consisting of exploiting the earlier sign (*Holzer y Cia v. EUIPO – Annco*, 2019, paragraph 163). The existence of such an intention must nevertheless be motivated (*SBG v. EUIPO – VF International*, 2021, paragraphs 71–75).

In conclusion, the reviewed case law provides for a rather harmonised approach applied by EU and national authorities for the assessment of the existence of bad faith. Such an approach consists of a set of different factors taken into account by the competent authorities, with consideration given to the particular circumstances of each case. It also follows from the abovementioned case law that the assessment of the existence of the bad faith of the proprietor of a contested trade mark is based on an elastic approach, often pondering different factors and without being confined to a limited category of specific circumstances in order to address the complexity and variety of situations arising from actions under the provision of bad faith.

4. Shaping the consequences of the establishment of the bad faith of the proprietor of the contested trade mark

Once the relevant factors of a particular case have been assessed and have led to the conclusion of the existence of the bad faith of the proprietor of the contested trade mark, the registration of that mark is to be declared invalid. According to Article 62(2) of Regulation 2017/1001, this means that "the EU trade mark shall be deemed not to have had, as from the outset, the effects specified in this Regulation". In fact, the invalidity of a trade mark incurs

loss of any exclusive rights on a trade mark initially granted to the proprietor by the registration of that mark.⁵ Moreover, in principle,⁶ the declaration of the invalidity of a trade mark has a retroactive effect. This means that a trade mark is considered to have never existed and, therefore, as such could not have produced any effects that could in any way be opposable to third parties.

As regards the scope of this invalidity, according to Article 59(3) of Regulation 2017/1001, “where the ground for invalidity exists in respect of only some of the goods or services for which the EU trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only”. This provision suggests that the application of a trade mark should be considered as divisible and that the declaration of the invalidity of a trade mark could, therefore, result in its partial or total invalidity, bearing in mind that the conditions for the existence of an absolute ground for the invalidity of trade mark are met for all or a part of the goods or services covered by that registration.

If the General Court seems to have suggested that the application for the registration of a trade mark should entail invalidity in its entirety if it was filed in bad faith (*SA.PAR. v. OHIM — Salini Costruttori*, 2013, paragraph 48), the Court of Justice, in a framework for a preliminary ruling, following the Advocate General’s opinion, recently held that the provision under Article 59(3) of Regulation 2017/1001 also applies for the invalidity of trade mark registrations filed in bad faith (*Sky e.a.*, 2020, paragraph 71).

From a practical point of view, it cannot be excluded that recent clarification of the approach to take in regards to the request for declaration of the invalidity of a trade mark filed in bad faith may appear not to be easily applicable in some situations, as it could seem difficult to divide goods or services that were applied for in good or bad faith. In fact, the question remains open as to whether it is possible to have the intention to file an application for the registration of a trade mark in good faith for some goods or services and in bad faith for others. Also, as the Advocate General already underlined in her conclusions in *Koton Mağazacılık Tekstil Sanayi ve Ticaret v. EUIPO* (2019), some applicants may feel initiated to apply for a larger set of goods or services in order to prevent the whole trade mark from being totally invalidated (Opinion of Advocate General Kokott, paragraph 59). All of these concerns are without doubt related to the particularity of the absolute ground for invalidity based on bad faith, as it hinges on the subjective circumstances that led to the filing of an application for the registration of a trade mark in contrast to inherent defects sanctioned by the other absolute grounds for invalidity.

Nevertheless, the divisibility of an application for the registration of a trade mark when the bad faith of the proprietor is established seems justified in light of the Regulation, which does not formulate any difference between the scope of effects resulting from different absolute grounds for invalidity or priority given to economic interest, allowing competitors to register signs capable of indicating the origin of goods or services covered by the registered trade mark, and is conceivable in regards to the predictability of law.

Furthermore, this approach is now also consistent among the highest EU courts, as the General Court has recently upheld the Board of Appeal’s decision to partially invalidate the contested trade mark in regards to only duplicate goods or services (*Hasbro v. EUIPO – Kreativni Dogadaji*, 2021).

In contrast, at the national level, the establishment of bad faith may result either in the invalidity of the contested trade mark or in the transfer of ownership (Moatty & Cousin, 2017). As a matter of fact, the consequences of the establishment of bad faith will depend on the interest actually affected by the bad faith of the proprietor of a contested trade mark. Notwithstanding the fact that the provision of bad faith aims to protect general interest, if

⁵ For different exclusive rights of the proprietor of a trade mark, see Article 9 and the following of Regulation 2017/1001.

⁶ According to the Article 62(3), there are some exceptions to the retroactive effect of the invalidity of a trade mark in so far as, “subject to the national provisions relating either to claims for compensation for damage caused by negligence or lack of good faith on the part of the proprietor of the trade mark, or to unjust enrichment, the retroactive effect of revocation or invalidity of the trade mark shall not affect any decision on infringement which has acquired the authority of a final decision and been enforced prior to the revocation or invalidity decision or any contract concluded prior to the revocation or invalidity decision, in so far as it has been performed before that decision; however, repayment, to an extent justified by the circumstances, of sums paid under the relevant contract may be claimed on grounds of equity”.

an interest of a third party has been affected, the existence of the bad faith of the proprietor of a contested trade mark may also result in the transfer of its ownership (Article L712-6 of French Intellectual Property Code). However, if the interest affected is general, the action brought before the courts based on the provision of bad faith can only result in the invalidity of the contested trade mark (Decision No. 12-29.157, 2014).

As far as the scope of the invalidity is concerned, in parallel to the EU courts, it is settled case law that the invalidity can be declared in regards to a part of goods or services covered by the contested trade mark or for all of them (Decision No. 96-22367, 1999). Unsurprisingly, the Court of Cassation of France censured the judges of the appeal instance for declaring the contested trade mark invalid for all the goods covered by that trade mark without explaining how the proprietor of the contested trade mark acted in bad faith in regards to all the goods registered under that trade mark. The Court in question considered that the contested trade mark could have been invalidated only in regards to some goods that corresponded to goods alleged to have been counterfeited, designed, and marketed by the other party (Decision No. 14-28.232, 2017).

It follows that the effect attached to the action brought before the courts on the basis of the provision of bad faith will depend on the question of whether it has been brought before national or EU courts. However, the scope of those consequences is now harmonised at both levels as the vitiated registration may incur either partial or total invalidity.

Conclusions

In conclusion, the bad faith issue constitutes one of the most dynamic areas of trade mark law. As new forms of bad faith occur constantly, it is justified that the competent authorities leave the door open for the assessment of the existence of bad faith at the time of the filing of the application without confining it to a limited set of circumstances, but rather relying on the particular circumstances of each case. However, despite the large variety of scenarios, some similar patterns can be recognised at both the EU and national levels, which also leads to a rather harmonised approach to assessment within the EU. In this regard, it results clearly from the case law that the most important factor to assess in the framework of actions seeking the invalidity of a trade mark on the basis of the provision of bad faith is the intention of the proprietor of a contested trade mark underlying the application for its registration. Taking into account the subjective nature of this ground for invalidity, circumstances such as the knowledge, either personal or general, by the proprietor of the contested trade mark of the use of a similar or identical sign for similar or identical goods or services, its commercial strategy, or its interest in registering that trade mark with regard to a particular situation on the market constitute objective circumstances that have often been taken into account by the competent authorities in order to assess the existence of the bad faith of the proprietor of a contested trade mark. Consequently, the provision of bad faith is interpreted as a ground for invalidity, fulfilling the objective of sanctioning the disrespect of a registration which was made in breach of legal rules organising undisrupted competition within an internal market and, as such, incurring serious consequences.

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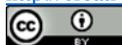
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