

Luxury Hotels and Gold Bunnies: Bad Faith in Community Trade Mark Law

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(Mr Justice) Richard Arnold

The legislation

Council Regulation 40/94/EC on the Community Trade Mark of 20 December 1993, Article 51:

1. A Community trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings,
...
 - (b) where the applicant was acting in bad faith when he filed the application for the trade mark

Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd [2008] EWHC 3032 (Ch)

- Bad faith includes not only dishonesty but also dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in relevant area: *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367
- Bad faith is to be judged according the combined test for dishonesty, namely by ascertaining what defendant knew about the matter and deciding whether in the light of that knowledge his conduct was dishonest according to ordinary standards of honest people: *AJIT WEEKLY Trade Mark* [2006] RPC 25
- Relevant date is the application date: *HOTPICKS Trade Mark* [2004] EWHC 689 (Ch), [2004] RPC 2
- OHIM Board of Appeal decisions reviewed with conclusion that no difference in principles applied
- Starting point is presumption of good faith
- Subject to two limitations, CTM system operates on first-to-file principle – see Case C-404/02 *Nichols plc v Registrar of Trade Marks* [2004] ECR I-8499
- First limitation is entitlement of third parties to oppose or invalidate on relative grounds including Art 8(4) CTMR but only if proprietor of earlier right and only if earlier right established – if Art 8(4) cannot be invoked proprietors of rights in particular locality protected by Art 107, hence CTM is “Emmental cheese”
- Second limitation is Art 51(1)(b), a narrow exception to prevent abuse of CTM system either vis-a-vis OHIM or vis-a-vis third parties
- Art 51(1)(b) may apply vis-a-vis third party where third party cannot maintain any relative ground of objection, but has no application to *bona fide* conflicts between trade mark rights or perceived trade mark rights of different traders
- CTM is not an absolute monopoly but qualified in various ways including limits to Art 9(1), Art 12, Art 13, Art 53, Art 107(3) and such qualifications are relevant to assessment of bad faith
- It follows that it does not constitute bad faith for a party to register a CTM merely because he knows that third parties are using the same mark in relation to identical

goods or services, let alone similar marks and/or similar goods or services e.g. applicant may believe he has superior right or may not intend to enforce against third parties or may know they would have a defence or may wish to proceed on basis provided for by Art 107

- Claimant had not acted in bad faith since had used CTM for many years, had acquired a substantial and valuable reputation in it and had a legitimate interest in protecting it by registration

Case C-529/07 *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* (Opinion of AG Sharpston, 12 March 2009)

- Bad faith is a single Community concept
- An application to register a CTM in the knowledge of a conflicting earlier right within Art 8 would be likely to be in bad faith, but Art 51(1)(b) may be invoked by holder of an earlier right not falling within Art 8
- Registration of CTM with no intention to use but in order to prevent third parties from using would almost certainly be bad faith, but Art 51(1)(b) not limited to that situation
- The concept of bad faith implies a subjective mental state of a general nature, as outlined in *Gromax* and other decisions, but the applicant's subjective intention should be determined by reference to the objective circumstances of the case
- Bad faith must be assessed case by case, taking account of all the available evidence of the relevant circumstances
- Bad faith requires knowledge by applicant of circumstances said to give rise to bad faith
- Knowledge of use of similar marks by competitors not enough to establish bad faith, but should be assessed in conjunction with applicant's intention and historical commercial context
- Relevant that CTM consisted of entire shape and presentation of product: if freedom of choice was limited so that proprietor would be able to prevent competitors not merely from using similar mark but also marketing comparable product then application could be much more easily judged to be in bad faith, but situation would be different if applicant had achieved commercial success and newcomers were seeking to copy his presentation in the absence of any obstacle to use of distinct presentations
- Accordingly intention to prevent competitors from using similar marks which they already used had to be assessed in light of surrounding circumstances and could not be taken as automatic indication of bad faith or otherwise
- Reputation already acquired by CTM giving rise to protection under national law was a factor to be viewed in context and could not automatically preclude bad faith: if registration merely confirmed an existing substantive right to prevent others from using similar presentations while affording improved means of enforcing that right, then application would not appear to be in bad faith; but if all presentations enjoyed equal rights and rights were appreciably more restricted than those conferred by CTM then it could be, particularly if applicant were a relatively recent market entrant or one whose presentation enjoyed only a slight reputation