

Broad specifications and use requirements: competition and bad faith considerations

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Lindt, Bad Faith

For an overview see N.M. Dawson, “Bad faith in European trade mark law” [2011] IPQ 229

The Court of Justice considered the concept of bad faith in C-529/07 Chocoladefabriken Lindt & Sprüngli.

Advocate General Sharpston:

“To sum up, the gist of my analysis is that there is no simple, decisive test for establishing whether a trade mark application was submitted in bad faith. The various sets of circumstances which have been advanced before the Court as exhaustively delimiting the notion of bad faith are in fact illustrative examples of that concept.

Bad faith is a **subjective state** – an intention incompatible with accepted standards of honest or ethical conduct – which is **ascertainable from objective evidence**, and which must be assessed case by case.

Lindt, Bad Faith

It requires, at least, knowledge of the circumstances from which incompatibility with accepted standards of honest or ethical conduct may be deduced. Whether the trade mark applicant possesses such knowledge is an issue which may be determined by reference to the common state of knowledge in the economic sector concerned, if direct evidence is lacking. An intention to prevent competitors from continuing to use unregistered signs which they have hitherto been entitled to use and to defend against competition from other such signs is indicative of bad faith. However, the assessment must take account of all relevant factual and legal elements which might justify such an intention or, on the contrary, underline its dishonest or unethical nature.”

Lindt, Bad Faith

The Court introduced a multi factor test, for determining whether an applicant is acting in bad faith: account must be taken of all the relevant factors pertaining **[1 / timing]** at the time of filing and, in particular, of the following, where applicable:

[2 / objective] the fact that the applicant knows or should know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product liable to be confused with the sign for which registration is sought;

[3 / subjective] the applicant's intention of preventing that third party from continuing to use such a sign;

[4 / objective] the degree of legal protection enjoyed by the third party's sign and by **[5 / objective]** the sign for which registration is sought.

Lindt, Bad Faith

The Court then found that the intention of preventing certain goods from being marketed by other marketers may, in certain circumstances, be indicative of bad faith.

In particular, where it **subsequently** becomes apparent that the applicant had the sign registered as a CTM with no intention of using it, its sole objective being to prevent a third party from entering the market.

The trade mark would not fulfil its essential function.

Applying Lindt

The General Court considered whether a broad specification indicates that the application has been filed in bad faith in T-33/11, Peeters Landbouwmachines BV v OHIM.

Regarding the scope of Lindt it noted that the three factors were “only examples drawn from a number of factors which can be taken into account in order to decide whether the applicant was acting in bad faith at the time of filing the application”.

Accordingly, “in the context of the overall analysis ... account may also be taken of the **[6 / objective]** origin of the sign at issue and its use since its creation, and **[7 / subjective]** of the commercial logic underlying the filing of the application for registration of that sign as a Community trade mark”.

Applying Lindt

According to the facts of the case it could not be claimed that the trade mark had been registered with “no intention of using it and with the sole objective of preventing a third party from entering the market”.

It added that “it is legitimate for an undertaking to seek registration of a 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”.

It found positively relevant the fact that goods in the disputed class were marketed by the applicant even if under another mark.

Applying Lindt

Common purpose:

It also accepted that Article 12 of Regulation No 207/2009, covering the conduct of a third party towards the proprietor of the mark, and Article 52(1)(b), covering the conduct of the proprietor itself at the time of filing, were distinct provisions, however the “Board of Appeal in no way erred in law by considering the two provisions in parallel, as this was justified by the fact that they are both designed to penalise commercial dishonesty”.

Applying Lindt

Case T-136/11, Pelicantravel.com s.r.o. v. OHIM, re-iterates that broad specifications are not in themselves indications of bad faith.

The case in essence involved **a repeat application**, given that the differences between the two signs were so insignificant that they should be treated as identical.

(i) It accepts that “only the proprietor can assess whether it is reasonable and meaningful to seek registration of a Community trade mark which differs from its earlier Community trade marks, those differences being linked to the evolution of its company logo”.

(ii) It pays attention to the fact that the new application had adopted, instead of class headings, a “more specific and, consequently, less wide-ranging than the list of services covered by [the earlier mark]”.

(ii) It acknowledges that it is the filing at issue, rather than the earlier filings, that must be assessed for bad faith.

Applying Lindt

It agrees with BoA that “the mere registration of a large variety of goods and services as such is a rather common practice of companies trying to obtain a (Community) trade mark registration; it does not involve conduct that departs from accepted principles of ethical behaviour or honest commercial and business practices”.

It adds that as “a rule, it is legitimate for an undertaking to seek registration of a 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”.

And stresses that “[**8 / broad specifications**] neither Regulation No 207/2009 nor the case-law provides any basis for making a finding of bad faith because of the length of the list of goods and services set out in the application for registration”.

Applying Lindt

Finally, considering the argument that Pelikan was trying to prevent third parties from marketing services which it did not provide itself, it accepted that, according to Lindt “the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of an applicant for registration of a trade mark.

That is the case particularly where it subsequently becomes apparent that the applicant has had the sign registered as a Community trade mark with no intention of using it, its sole objective being to prevent a third party from entering the market”.

Applying Lindt

However, **[9 / presumption of good faith]** “there is a presumption of good faith until proof to the contrary is adduced”.

And it underlines that “in determining **[10 / link with non use period]** whether there was bad faith, it is not a matter of examining the use which has been made of a contested Community trade mark, but rather of assessing whether, at the time of filing the application for its registration, it was intended to make use of a Community trade mark”. Otherwise, the five-year grace period would become meaningless.

Applying Lindt

Case C-569/08 Internetportal und Marketing GmbH v Schlicht considered Commission Regulation 874/2004/EC on the eu Top Level Domain and the principles governing registration.

Internetportal had registered (amongst other generic terms) &R&E&I&F&E&N& in Sweden for “safety belts” (reifen meaning tyre in German), on the basis of which it subsequently registered www.reifen.eu.

The domain name registration was challenged on the ground of bad faith and the CJEU applied Lindt discerning seven factors (four on trade marks and three on domain names).

Applying Lindt

“With regard to the conditions under which registration of the trade mark was obtained, the national court must take into consideration, in particular:

- (i) the intention not to use the trade mark in the market for which protection was sought;
- (ii) the presentation of the trade mark;
- (iii) the fact of having registered a large number of other trade marks corresponding to generic terms; and
- (iv) the fact of having registered the trade mark shortly before the beginning of phased registration of eu top level domain names.

Applying Lindt

With regard to the conditions under which the eu top level domain name was registered, the national court must take into consideration, in particular:

- (i) the abusive use of special characters or punctuation marks, within the meaning of Article 11 of Regulation No 874/2004 , for the purposes of applying the transcription rules laid down in that article;
- (ii) registration during the first part of the phased registration provided for in that regulation on the basis of a mark acquired in circumstances such as those in the main proceedings; and
- (iii) the fact of having applied for registration of a large number of domain names corresponding to generic terms.”

Applying Lindt

In C 553/11 Bernhard Rintisch v Klaus Eder the Court, considered the intention of the applicant from the perspective of Article 10(2)(a) of Directive 89/104. Should national courts be allowed not to apply the infringement provision not to apply it in the case of a 'defensive' trade mark, defined as a trade mark "registered only in order to secure or expand the protection of another registered trade mark that is registered in the form in which it is used"?

The Court stated: "The subjective intention prevailing when it is sought to register a trade mark is wholly irrelevant for the purpose of applying that provision and, in this respect, there is no basis in Directive 89/104 or in any other provisions of European law for a concept of 'defensive' trade marks to which that provision does not apply".

The English Approach

The application for registration must state that there is use or a bona fide intention to use the mark.

Arnold J. in (pre-Lindt) Cipriani [2008] EWHC 3032, affirmed (post Lindt) [2010] EWCA Civ 110:

(a) Bad faith against the Trade Mark Office.

(b) Bad faith against third parties.

Bad faith is determined against acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area.

He rejected the argument that “any person who seeks to take exclusively for himself a trade name which he knows he shares with others is acting in bad faith”.

The English Approach

Arnold J. in Red Bull [2012] WHC 129 Ch.:

General principles:

- (i) the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date;
- (ii) later evidence is relevant if it casts light backwards on the position as at the application date;
- (iii) a person is presumed to have acted in good faith unless the contrary is proved, the standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation;
- (iv) bad faith includes not only dishonesty, but also “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined;

The English Approach

- (v) s. 3(6) of the 1994 Act, Art. 3(2)(d) of the Dir., and Art. 52(1)(b) of the Reg. are intended to prevent abuse of the trade mark system;
 - (vi) there are two main classes of abuse; (A) abuse vis-à-vis the relevant office and (B) abuse vis-à-vis third parties;
 - (vii) an overall assessment must be undertaken;
 - in particular what the defendant knew about the matters in question
 - and then decide, in the light of that knowledge, whether conduct is dishonest or falls short of the standards of acceptable commercial behaviour;
 - (viii) consideration must be given to the applicant's intention.
- And, from an English perspective, “a possible or contingent intention to use the mark at some future date may suffice. Whether it does suffice will depend on all the circumstances of the case, and in particular whether there are other factors present”.

The English Approach

Strategies that applicants may pursue include acquiring or attacking earlier rights and negotiating co-existence agreements ... They are “sequences of moves that resemble moves in a game of chess.”

“Red Bull did not have any concrete intention to use the mark ... But ... it did contemplate the possibility of using the mark at some future point, most likely in relation to energy drinks, in countries which might include the UK”.

Assuming that the intention to use requirement is compatible with the Dir. and that a false declaration amounts to bad faith according to the Dir. he was “not persuaded that Red Bull acted in bad faith ... it had a sufficient intention to use the mark in the UK to be able to claim in good faith that it intended to use the mark at least in relation to energy drinks”.

The English Approach

Birss Q.C. in Redd Solicitors EWPC 54:

IP niche firm; should it be protected for “legal services” including, in this case, residential conveyancing?

“It will always be possible to show that there are some services within a category like this which the trade mark proprietor has never offered and may not really ever wish to do so. But that is part of the nature of collective expressions in the first place ...

... An important part of the reason “legal services” is a fair description in this case is because of the nature of legal services themselves. They are many and varied and can be divided up in different ways. The particular services actually offered will vary considerably from time to time. Despite all this, the services are all legal services.

... it would not strike a fair balance between the respective interests of the proprietor, other traders and the public to make such a carve-out from the specification in this case ... the only fair specification for the claimant’s trade mark is “legal services”, without qualification”.

The English Approach

Acquiring an existing trade mark registration without an intention to use?

“... bound by Arnold J.’s judgment ... I will formally dismiss the attack on the validity of the RED mark under s. 3(6) on the ground that, regardless of the facts, it is bad in law since it does not relate to intention at the application date. In the circumstances it would not be profitable for me to consider what the law was, if the matter had been free from authority. I will however state my views on the only issue of primary fact, i.e. Redd’s intention at the time it acquired the application.

“Mr Chalkley’s testimony on this was careful and I do not mean that as a veiled criticism, far from it. I took him to be making sure he told the truth but I need to be careful not to read more into his testimony that was said. I accept that as part of the process of acquisition of the RED mark, Redd considered use of the mark and thought that maybe they could make some use of it. That was Mr Chalkley’s evidence. Nevertheless I am sure that Redd’s real and only substantial motive for buying the RED mark at all was as a defensive barrier against third parties. Mr Chalkley did not say it was not. Without that motive, Redd would not have acquired the RED mark.”