

First ECJ case on bad faith in trade mark law

The Advocate General has given an Opinion in the first case before the ECJ to consider bad faith in a trade mark context. The Advocate General's view is that bad faith cannot be narrowly defined and that all relevant circumstances need to be assessed, with a mix of subjective and objective factors to be considered. She accepts that bad faith can in some circumstances include an intention to prevent others from using similar signs on similar products. This Opinion is of significance as bad faith is a powerful weapon which can be used to invalidate a trade mark and strike it from the Register.

The facts

This case, *Chocoladefabriken Lindt & Sprüngli AG -v- Franz Hauswirth GmbH* Case C-529/07, was referred by the Austrian court and concerns the topical subject of chocolate Easter bunnies covered in gold foil. Lindt had made Easter bunnies since the 1950s and first started marketing in Austria in 1994. In 2000 it applied to register as a 3D Community trade mark the shape of a gold foil-covered bunny wearing a red ribbon. The mark was duly granted.

Third parties had also marketed chocolate Easter bunnies, including Hauswirth of Austria since 1962. Lindt was aware of at least some other similar products before it applied to register its trade mark. Another significant fact was that in the 1990s developments in technology for machine wrapping meant that technical constraints had caused the shapes of these products to become increasingly similar.

Lindt tried to enforce its mark against Hauswirth, which then claimed invalidity of the mark due to bad faith. After contradictory rulings in the national courts, the Austrian Supreme Court referred the case to the ECJ, asking it to interpret the meaning of bad faith, particularly seeking guidance in circumstances where:

- ? the trade mark owner knows that others use the same or a confusingly similar sign;
- ? the trade mark owner intends to prevent competitors using their signs (which may have acquired value as property rights);
- ? the trade mark owner's sign already has a reputation prior to registration.

Opinion

Advocate General Sharpston confirmed that bad faith is a distinct ground on which to base invalidity which was independent of other grounds based on conflicting prior rights, and which could be invoked by anyone. Bad faith could not be precisely defined and involved conduct "which departs from accepted principles of ethical behaviour or honest commercial and business practices". She rejected the Commission's view that bad faith was to be narrowly confined to cases where an application for a trade mark was made with no intention to use it and with the intention of preventing others from use. It could encompass such behaviour but was capable of being interpreted much more widely.

She debated whether the test should be an objective or subjective one and concluded that both elements were relevant: bad faith relates to a subjective motivation on the part of the trade mark owner, being a dishonest intention or other "sinister motive", which will normally be established by reference to objective factors. If there is no direct evidence of the trade mark owner's knowledge, this may be determined by reference to the common state of knowledge in the relevant economic sector.

This means that bad faith must be assessed case by case and by reference to the whole historical context. An intention to prevent others from continuing to use signs which they have previously been entitled to use is indicative of bad faith, but the assessment must take account of all relevant circumstances to establish whether such an intention was justified or not.

A point of particular significance here was that the case concerned a shape mark, and therefore it was important to ascertain the extent to which competitors were able to choose the shape of their products and to what extent they were limited by technical or commercial factors – here those dictated by packaging technology. If the choice available to competitors is limited, a finding of bad faith will be more likely.

In conclusion, the Advocate General decided that a national court must take account of all available evidence from which it was possible to conclude that the trade mark owner was or was not acting knowingly in a manner incompatible with accepted standards of honest or ethical conduct. In particular:

- ? an intention to prevent others from using similar signs in respect of similar products may be incompatible with such standards if the trade mark owner was, or must have been, aware that others were already legitimately using similar signs, particularly if that use was substantial and longstanding and enjoyed a degree of legal protection, and if the nature of the sign was dictated to some extent by technical or commercial constraints;
- ? however, such an intention would not necessarily be incompatible with those standards if the trade mark owner himself had enjoyed similar or greater legal protection in respect of the mark applied for and had used it in such a way, to such an extent and over such a time that the use by others of their similar signs could be considered to derive an unjustified benefit, and if those others were not constrained in their ability to choose dissimilar signs.

This Opinion does potentially leave the way wide open for a wide variety of factual arguments to be made on a dispute as to bad faith. The hurdle may not be as high as had been thought, although the fact that this case concerned a 3D shape mark did seem influential here. A final judgment from the ECJ is now awaited.