

Review

Intellectual Property



Bad Faith Bunnies

Case C-529/07 Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH (11 June 2009)

This was a referral to the ECJ arising from a dispute about chocolate Easter bunnies. It is the first time the ECJ has been asked to provide guidance on the interpretation of “bad faith” within the meaning of the Community trade mark legislation. The trade mark at the centre of this case was a registered CTM and consequently the ECJ was asked to interpret the Community Trade Mark Regulation (Council Regulation 40/94) (the “Regulation”). Similar concepts are used in the Trade Marks Act 1994, which implemented the Trade Marks Directive into English law, and which governs UK national trade marks.

In June 2000, Lindt & Sprüngli AG (“Lindt”) applied to register a three-dimensional Community trade mark for a gold-coloured chocolate bunny in a seated position, wearing a red ribbon around its neck with a bell and the words “Lindt GOLDHASE” on its hind. Chocolate bunnies had been marketed in Austria and Germany since at least 1930 in various shapes and colours, but often wrapped in gold-coloured foil and with a ribbon and/or bell. Lindt had been selling bunnies similar to that which was the subject matter of its Community trade mark registration since the early 1950s and had been selling such bunnies in Austria since 1994. The mark was registered on 6 July 2001.

The defendant in this action was an Austrian company, Franz Hauswirth GmbH, which had been selling its own chocolate bunnies since 1962. Hauswirth’s bunnies were also in the seated position, wrapped in gold foil and usually featured a ribbon, but not a bell.

Lindt commenced proceedings against Hauswirth in Austria for trade mark infringement under Article 9(1)(b) of the Regulation, which prohibits the use of an identical or similar mark for identical or similar goods where there is a likelihood of confusion. Hauswirth counterclaimed for revocation of Lindt’s mark under Article 51(1) of the Regulation, which provides that a Community trade mark shall be declared invalid where the applicant was acting in bad faith when it filed the application.

The ECJ's ruling on bad faith represents a broad and flexible approach

At first instance, the Commercial Court in Vienna dismissed Lindt's claim for trade mark infringement and upheld Hauswirth's counterclaim. Lindt appealed to the Higher Regional Court, which rejected Hauswirth's counterclaim, but did not uphold Lindt's main claim for trade mark infringement. Both parties appealed to the Austrian Supreme Court. The Austrian Supreme Court was of the opinion that there was a likelihood of confusion between Hauswirth's chocolate bunny and that marketed by Lindt under its three-dimensional Community trade mark. However the Supreme Court's decision on Hauswirth's counterclaim depended on whether Lindt was acting in "bad faith" within the meaning of Article 51(1) of the Regulation. The Supreme Court stayed proceedings pending a reference to the ECJ on the meaning of "bad faith". In particular the Austrian Supreme Court was seeking guidance on the criteria to be applied in order to determine whether Lindt was acting in bad faith when it applied to register its Community trade mark.

Lindt argued that the fact a trade mark applicant is aware of market competitors and intends to prevent them from entering the market does not alone constitute bad faith. In order to be acting in bad faith, there must be dishonest conduct on the part of the applicant, i.e. the conduct must be contrary to accepted principles of business ethics. Lindt contended that, because it had been using its mark over a substantial period of time and had spent significant sums on advertising, its mark had a reputation and distinctiveness before it applied for a Community trade mark and as such the aim of the registration was to protect its commercial value against imitations.

Hauswirth's case was that a trade mark applicant acts in bad faith where it was aware of the use of an identical or similar mark by a competitor who had obtained a "valuable right" in that mark as a result and the applicant applied for a Community trade mark to prevent its competitor from continuing to use its sign. It was Hauswirth's contention that Lindt had registered its Community trade mark with the intention of eliminating all of its competitors. Hauswirth further argued that no account should be taken of the reputation the mark has acquired prior to its registration.

Having heard the Attorney General's opinion on 12 March 2009, the ECJ handed down its ruling on 11 June 2009. In its ruling, the ECJ made clear that the relevant date for determining whether there was bad faith was the date of filing of the trade mark application. At the time Lindt made its application, there were several producers using an identical or similar get-up for identical or similar products which were capable of being confused with the mark that Lindt was seeking to register.

The ECJ stated that, in deciding whether a trade mark applicant acted in bad faith, account must be taken of all factors relevant to the particular case. The fact that an applicant knows or must know that a third party has been using an identical or similar mark which could be confused with the applicant's mark, over a long period of time, is not sufficient to show bad faith. The applicant's intention at the time it made the application must also be taken into account. This is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

The ECJ was of the opinion that an intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith. The example given by the ECJ was where an applicant applies for a Community trade mark without intending to use it, the sole objective being to prevent third parties from entering the market.

Where a third party has been using a sign for a long period of time, for an identical or similar product, which is capable of being confused with the mark applied for, and which enjoys some degree of legal protection, this might be relevant in determining whether the applicant has acted in bad faith. In this situation the applicant may have the sole aim of competing unfairly with a competitor. However, the ECJ was of the

opinion that even in such circumstances, the applicant's application may be in pursuit of a legitimate objective, for example where the applicant knows when filing its application that a newcomer to the market is trying to take advantage of its mark by copying the get up and it registers the mark to try and prevent this.

Further, the nature of the mark may be relevant. For example where the trade mark consists of the entire shape and presentation of a product, if the competitor's freedom to choose the shape and presentation of its product is restricted by technical or commercial factors, it may be easier to establish bad faith as the applicant is able to prevent competitors from not only using an identical or similar sign, but also from marketing comparable products.

The ECJ also considered the extent of the reputation enjoyed by the mark when the application is made to be relevant, as the extent of reputation might justify the applicant's interest in ensuring wider legal protection for it.

The ECJ's ruling on the meaning of bad faith under Article 51(1) of the Regulation represents a broad and flexible approach that, unsurprisingly, requires the court to take account of all relevant factors at the time the mark was applied for, including the applicant's intention, the fact that the applicant knew or must have known that a third party was using an identical or similar sign for an identical or similar product capable of being confused with the mark applied for and the degree of legal protection enjoyed by the third party's sign and the mark for which registration is sought. The case will now be sent back to the Austrian Supreme Court for determination based on the ECJ's interpretation of the meaning of bad faith.

FURTHER INFORMATION

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