

Protection and Modes of Defense against Bad-Faith Trademark Filings

Experience, and especially that learned from infringement procedures at German courts, has shown that strict requirements must be met to prove before courts in the EU that a trademark application was filed in bad faith. Just because a third party might or did know that a sign was being used in trade will not necessarily be considered to mean that this third party filed its application in bad faith. This is why it is exceedingly important that businesses pursue a strong policy of trademark applications since full protection against bad-faith trademark applications can only be ensured by filed and registered trademarks.

No Right Arising from Prior Use

As in almost all of the countries of the European Union, neither the German Trademark Act nor the Community Trade Mark Regulation provides for rights arising from the prior use of a sign. Just using a sign in business does not generally provide the user of the sign with any trademark rights. On the contrary, trademark protection only arises with

a trademark application and the subsequent registration of the trademark in the Trademark Register. Even if a sign has already been used for some time in trade, trademark rights are not acquired just on the basis of this use. There are exceptions to this rule, however.

Trademark protection can arise by use of a sign in trade if the sign has acquired secondary meaning among those circles of trade involved. Acquisition of trademark rights owing to secondary meaning requires, at

least in Germany, that the sign has acquired a considerable degree of renown among the pertinent circles of the trade, and therefore this rule is applied only in particular cases. This is why in many cases companies and also even private persons who have used their signs in commercial trade but have not had these signs registered as trademarks have few rights under the trademark laws. This can result in a serious trademark conflict in those cases where a third party files an application for an identical or similar sign in an identical or similar product

sector to a sign that has been used on the market for some time without the required registration as a trademark having been undertaken. The prior user generally does not have any recourse against the filing and use of the trademark by the third party. On the contrary, the prior user will even find itself faced with the justified legal claims of the trademark proprietor for information and compensation of damages in addition to cease-and-desist claims since the registration of the trademark provides the registered proprietor of the trademark with a monopoly right to the trademark. Therefore, it is generally the proprietor of the filed and registered trademark who will succeed in such a conflict.

The Exception: Trademark Applications Filed in Bad Faith

As said, the trademark laws do not in general protect signs not registered as trademarks. There are limits to this, however, i.e. when a trademark application is filed by a third party in bad faith. In such cases where a trademark application was filed in bad faith, the prior user might under certain, broad conditions have acquired protection owing to prior use against the filed or already registered trademark of the third party.

How is the concept of a trademark application filed in bad faith to be understood? The Court of Justice of the European Communities (ECJ) initially pointed out in its decision of 11 June 2009 in *Lindt & Sprüngli vs Franz Hauswirth* that bad faith is to be assessed in its entirety considering all of the factors of significance in each individual case. The relevant factors include the fact that the proprietor of the

trademark had knowledge that the prior user was already using an identical or similar sign for identical or similar goods. Excessive requisites need not be met with regard to whether the trademark proprietor had any knowledge of the prior use of the sign. That the trademark proprietor should have had such knowledge suffices here. Where the prior use was already of a certain duration, it is generally assumed that this use must have been known to the proprietor of the trademark. In addition to this knowledge, the prior user must also have already acquired a certain “degree of protection” for the sign. The ECJ stipulated this certain degree of legal protection, and in this regard stated that it is the duration of use that is decisive. It is even required in Germany that the sign must have acquired a certain degree of renown in Germany. A further relevant factor for the assumption that a trademark application was filed in bad faith is the intent of the trademark proprietor to prevent the prior user from continuing to use its sign. There must be particular circumstances regarding the proprietor of the trademark that reveal that the registration of the trademark was filed in bad faith. Such particular circumstances will be assumed if, when the circumstances are objectively

evaluated, the proprietor’s conduct is seen to be directed at obstructing the capability of the competitor to be competitive and not at primarily promoting the capability of the proprietor to compete.

In Germany, a trademark application is then considered to have been filed in bad faith if the proprietor of the trademark had the same or an almost identical sign registered as a trademark for identical or similar goods/services with the intent to obstruct the “protection” by the prior user or with the intent to obstruct use of the sign by said prior user, knowing full well, and without any other reason, of the “protection” of the prior user. Such objectionable conduct can also be considered, according to German case law, when an applicant for a trademark uses the blocking effect it has acquired, in itself inoffensive under antitrust laws, in a manner that does not comply with the purpose of trademark law, i.e. as a means of competitive obstruction in trade. In this latter case, it is not necessary that the prior user has possession worthy of protection.

Strict Requirements Must Be Met with Regard to Bad Faith

Only in rare cases is the bad-faith plea successful in courts in the EU. This is due on the one hand to the very strict requirements that must be met with regard to a trademark alleged to

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have been filed in bad faith or to be an abuse of a right. On the other hand, the reason also lies in part in the decisions of the courts, at least the German courts, that have in some cases been questionable.

has been earned and if the sign has also been used intensively in advertising on the market.

Extremely strict conditions must be met also with regard to the intent to obstruct. Since an

sufficient extent if the proprietor of the trademark at issue is using this in trade. However, this does not comply with the case law that always emphasizes that the assumption of unfair practice is not excluded solely by the willingness of the proprietor of the trademark to use the trademark since the intent to use the trademark not as the law intends, i.e. as a means to gain advantage in competition, does not have to be the only reason for the conduct, but just a significant motivation. Therefore, where the willingness of the proprietor of the trademark to use it can be proven, but where at the same time there are also unfair circumstances, all of the circumstances of each individual case must be weighed and considered as a whole. Unfortunately, the courts have in the past issued decisions that were made without undertaking this weighing of factors and circumstances. In reverse, it is such that in those cases in which the trademark is not used, bad faith is generally affirmed, particularly where there are also particular unfair circumstances. As to the question of the bad faith of a trademark application, this will depend to a large extent on whether the trademark is used in trade on the market.

Consequences of Bad Faith

In particular in trademark infringement proceedings in Germany, the defendant can, according to Sec. 8 (2), no. 10, German Trademark Act and Secs. 3, 4, no. 10, 8 (1), sentence 1, Unfair Competition Act, proceed against claims asserted by an applicant for a trademark by pleading abuse of the law and

can assert that the trademark that is the basis for the proceedings was filed in bad faith and that therefore no rights may arise from said trademark. There is also the possibility under Secs. 3, 4, no. 10, 8, (1), sentence 1, Unfair Competition Act to lodge at a German court a legal action requesting cancellation of the trademark filed in bad faith. Since the German Trademark Act (Secs. 8 (2), no. 10, 50 (1), and 54) also provides for cancellation proceedings to be conducted at the German Patent and Trademark Office in cases where a trademark application has been filed in bad faith, there is real competition here. The cancellation action that can be filed under the Unfair Competition Act offers the prior user in principle an additional good defense against the proprietor of the bad-faith trademark since a cancellation action under the Unfair Competition Act can also be lodged as a counterclaim in trademark infringement proceedings, and in this case cancellation of the bad-faith trademark can be the consequence also of such an action.

Whether a legal action can be prosecuted on the basis of the German Unfair Competition Act also against a Community trademark, i.e. requiring declaration that the Community trademark is null and void on the grounds that it is a bad-faith trademark application, or whether the request filed at the OHIM as well as the counterclaim in infringement proceedings constitute under Art. 52 I lit. b Community Trade Mark Regulation conclusive provisions has not as of yet been decided by the German Federal Court of Justice, in particular not in its judgment of 20 January 2005 "The Colour of Elégance". The prevailing opinion in German literature is, however, that a claim for cancellation based on German Unfair Competition Act may also be

lodge against Community trademarks abusing a right, and can be lodged irrespective of the legal system of the Community Trade Mark Regulation. If the trademark at issue in the respective infringement proceedings is a Community trademark, the defendant has in any case the option to lodge as its defense a counterclaim in accordance with Art. 52 I lit. b Community Trade Mark Regulation that the Community trademark application was filed in bad faith.

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Conclusion

Since the threshold is still very high before bad faith will be found and since the third party often has the possibility, even if he is led primarily by unfair motivations, to remove himself from the accusation of unfair practices by taking up use of the trademark, protection against trademark applications filed in bad faith can only be achieved with certainty if a trademark application is filed for the sign in question in good time. Therefore, the recommendation is that companies and individual persons should most urgently pursue a consistent and strong trademark application policy.

Prior use for just six months before the date when the trademark was filed by the third-party is most often not sufficient in order to be awarded possession worthy of protection

Strict requisites have been set in particular as to whether there is "possession worthy of protection" or "degree of protection". In order to be able to justify possession worthy of protection, there must be a prior use that has been of a certain duration. Prior use for just six months before the date when the trademark was filed by the third-party is most often not sufficient in order to be awarded possession worthy of protection, in particular if turnover has been low. Only with proof that the sign has been used for a certain time and extensively can proof of possession worthy of protection be successful, especially if considerable turnover

intent to obstruct can be assumed if the conduct targets more the obstruction of a competitor's business and not mainly the promotion of the proprietor's own business, the intent to obstruct will generally be denied if the trademark of the third-party is used in trade. Experience from infringement procedures before German courts has shown that when proof of use of the trademark has been presented, the intent to obstruct is most often denied without any further examination being undertaken. Even where unfair factors are presented that indicate an ethically dubious conduct by the proprietor of the trademark, the courts will not in some cases look into the respective submissions to a



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