

'ONE, NO ONE, AND ONE HUNDRED THOUSAND.' THE CONTINUING UNFATHOMABLE NATURE OF BAD FAITH

THE TITLE OF THE LAST NOVEL OF THE ITALIAN NOBEL LAUREATE FOR LITERATURE, LUIGI PIRANDELLO, SEEMS PARTICULARLY APT TO DESCRIBE WHAT BAD FAITH IS, OR IS NOT, UNDER EU TRADE MARK LAWS, WHICH IS ALSO THE SUBJECT MATTER OF THE GENERAL COURT (GC) DECISION IN CASE T 273/19, TARGET VENTURES GROUP LTD VS. EUIPO, DECIDED ON 20 OCTOBER 2020. I WILL DISPENSE GOING INTO THE MATERIAL DETAILS OF THE CASE BUT, IF YOU ARE INTERESTED, YOU CAN READ THEM [HERE](#).

What makes this case interesting, in my view, is that it shows that not only a shift in the definition of what 'bad faith' means, is taking place, but also that such a shift rather than simplifying things, may actually complicate them, and may bring results which are perhaps not so convincing.

'Bad faith', which was originally and inherently associated with some kind of reprimandable, morally wrong conduct ('...in accordance with its usual meaning in everyday language, the concept of "bad faith" presupposes the presence of a dishonest state of mind or intention') is indeed lately morphing into something 'different' because for the Court of Justice 'the concept [of bad faith] must moreover be understood in the context of trade mark law, which is that of the course of trade' (Case C 104/18, *Koton Mağazacılık*, para. 45).

However, what this 'context' entails is hardly clear. An argument, however, can be made that the case law of the Court of Justice seems more and more to be departing from a morally based criterion, which is perhaps considered to be too arbitrary – being a 'subjective' standard, to espouse what it considers objective criteria, i.e. that of obtaining an exclusive right for purposes other than those falling within the functions of a trade mark.

It seems as though the evolution of the concept of bad faith follows the same trajectory of that concerning copyright protection which was once considered belonging to the realm of 'art' and which instead, after the *Levola Hengelo* (C-310/17), *Cofemel* (C-613/17) and lastly *Brompton* (C-833/18) decisions, has seemingly relegated the too subjective 'artistic' value to the attic (or basement, depending on where one piles up old, no longer used things, or concepts).

Indeed, in the *Target* case, the GC criticized the Board which had instead applied a 'morally based' criterion saying that the Board of Appeal had interpreted the concept of bad faith 'too restrictively' in holding that '*bad faith involves conduct which departs from accepted principles of ethical behaviour or honest commercial and business practices and presupposes a dishonest intention or other sinister motive*' (para. 27).

Instead, for the GC bad faith occurs where it is '*apparent from relevant and consistent indicia that the proprietor of an EU trade mark has filed the application for registration of that mark not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin*'.

So far, so good, until the GC goes a step forward and seemingly focuses only on the sentence '*without even targeting a specific third party*' to reach a conclusion which is somewhat disconcerting if not outright controversial.

For the GC, if it is not necessary, '*for the purposes of categorisation as bad faith*', to have been targeting a specific third party, then it is also not necessary to have had knowledge of a third party's use of the sign at issue. This conclusion, in the view of the GC, seems a logical consequence, because, it argues, '*if the proprietor of the contested mark had that knowledge, his or her application would necessarily be targeting that third party*' (para. 28).

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It follows that for the GC, the Board of Appeal erred in law by finding that the lack of proof of actual or presumed knowledge of prior use of the sign at issue was sufficient to reject the application for a declaration of invalidity.

The GC conclusion is thus that 'bad faith' may legally arise even when one does not even know that there is a third party out there, actually one might be totally unaware, but as long as the filing of a trade mark, any trade mark, is made with a purpose 'other than those falling within the functions of a trade mark, in particular the essential function of indicating origin' then bad faith arises.

It may appear a logical conclusion, but there is something missing. The GC does not offer any clear guidance on which these 'functions' are and here, in my view, lies the problem.

In the *Target* case, the filing of the contentious mark, TARGET VENTURES was justified by the alleged desire to avoid confusion with the TARGET PARTNERS mark. But for the GC this justification was not sufficient: '... in the specific circumstances of the present case, the fact that the intervener registered a mark in order to prevent a likelihood of confusion with another mark of which it was already the proprietor and/or in order to protect, in that connection, the element that is common to those marks is... extraneous to the functions of a trade mark, in particular the essential function of indicating origin, and contributed more towards strengthening and protecting the intervener's first mark, which was, both before and after the application for registration of the contested mark was filed, the only sign under which the intervener offered its services' (para. 38).

Let me emphasise this passage: 'is... extraneous to the functions of a trade mark... and contributed more towards strengthening and protecting the intervener's first mark'. With all due respect for the GC, 'strengthening and protecting the intervener's first mark' seems to be a perfectly legitimate business objective. Not only, it makes a lot of 'commercial logic', which is something which the GC seems to have omitted to consider. The GC indeed cites

as precedent the *Koton* case but, in the *Koton* case, the CJEU reversed the GC because 'it did not examine whether the application for a trade mark ... had a commercial logic in the light of the intervener's activities' (para. 62).

The CJEU, in my view wisely, indicated that as long in the decision to apply for a trade mark there is a 'commercial logic' (without entering too much into what that 'commercial logic' means, as there are too many factors and reasons behind any corporate/business strategic decision) that surely qualifies among 'the functions' of a trade mark and it seems, rather, it is not for the GC to decide whether or not such logic is or is not 'good' enough.

Furthermore, under another profile, the statement by the GC that filing a trade mark whose purpose is only 'strengthening and protecting [one own's other] mark' is extraneous to the functions of a trade mark, represents somewhat surprisingly, an attempt from the GC not only to reverse the CJEU, but also to create new law.

We all remember the decision by the CJEU in the famous *THE BRIDGE* case (C- 234/06 of 13 September 2007, *Il Ponte Finanziaria SpA vs. OHIM*). In that case, among other issues, the CJEU was called upon to decide whether the concept of unused 'defensive trade' marks was incompatible with the system of protection of the Community (now European) trade mark. The CJEU confirmed that that a proprietor of a national registration who opposes a Community trade mark application cannot, in order to avoid the burden of proof which rests upon him under Art. 43(2) and (3) of Regulation No. 40/94, rely on a national provision which allows the registration, as trade marks, of signs not intended to be used in trade on account of their purely defensive function in relation to another sign which is being commercially exploited. In other words, the CJEU said that even defensive trade marks must be used. If they are not, it is not that they are 'invalid', but simply that they will be liable to revocation, after the five years period allowed under current laws.

However, with the decision now handed down by the GC in *Target*, a possible argument could be made that it is no longer necessary to wait until there has been no use for five years in order to file a revocation action against any trade mark which is unused, and whose only alleged purpose/function is, for instance 'strengthening and protecting [one own's] mark'. Instead, there might be other reasons which do not specifically relate to the 'function of origin' – as the same mark could be invalidated for 'bad faith'.

Maybe the GC meant well in trying to detach the bad faith from subjective and difficult inquiries about the state of mind of a trade mark applicant but, in the end, a purely 'objective test' still leaves one, no one, and one hundred thousand... possible ways to argue bad faith, and one wonders whether that is really an improvement. Time, as always, will tell.«



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