

ANNULMENT OF A TRADEMARK FOR BAD FAITH

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Abstract

When entering any new potential market or trying to establish a name for oneself on a designated market, one of the first steps taken by any economic operator, apart from actually rendering the service or conceiving the product which is envisaged to be sold, is establishing the brand designated to identify it.

Unfortunately, in several scenarios, the brand name is already taken, either by an aggressive competitor or by a „well-intended” contractual partner.

Since in such cases, the name intended to be used as a trademark has already been unlawfully secured, interested parties may request its annulment, provided that the bad faith of the applicant is duly sustained with arguments and proofs.

The purpose of this article is to address the concept of „bad faith” from a practical perspective, considering the Romanian courts’ recent optics of this open concept, based on the European Court of Justice’s principles and guidelines.

The objectives of this article are outlining the different approaches of Romanian intellectual property courts insofar as bad faith is concerned, and explaining how the concept has evolved, based on the subjective and the objective element within the court’s analysis. Also, the article aims to better characterize the court’s standpoint with respect to bad faith in commercial relationships.

Keywords: *trademark registration, legal interest, trademark squatting, bad faith registration, trademark annulment, good faith in trademark registration, subjective and objective elements.*

1. Introduction

While at a European level, one might determine more precisely what the concept of „bad faith” encompasses, this article aspires to delve into the intricacies of Romanian laws and court practice, outlining firstly what bad faith in a trademark application means.

Expressing what bad faith in a trademark application means is relevant, due to the increasing number of claims for the annulment of trademarks pending before the dockets of Romanian courts, as well as recent changes in courts’ optics with respect to bad faith, as an independent notion.

In order to respond to such query, this article aims to analyse the recent national court practice, in light of the guidelines provided by the European Union.

The already existent specialised literature is focused more on the European approach on bad faith, without immersing into Romanian court practice, so this study would provide a welcoming insight on national practice.

2. Legal applicable framework

Pursuant to art. 56 of the Trademark and geographical indications Law no. 84/1998, the annulment of a trademark during the period of protection of said trademark may be requested by any interested person, if the registration of the trademark was performed with bad-faith.

In accordance to the CJEU jurisprudence¹, in order for a trademark to be cancelled for registration in bad faith, it is necessary for two conditions to be ascertained by the national court: an objective element (of knowledge of the use of the previous sign) and a subjective element (of unfair intent pursued at the time of registration). The Court of Justice stresses that knowledge in itself is not sufficient to support a finding of bad faith.

According to the same jurisprudence of the European court and the EUIPO Guide², when analysing the fulfilment of the second condition of the subjective element, the national courts must check the following elements: if the applicant intends to register a trademark with the aim of blocking the registration of the sign by a competitor, if there are contractual relations between the parties, if the applicant intends to take advantage of the reputation of the sign, if the applicant intends to use the sign or not.

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¹ C-529/07 of 11.06.2009, Chocoladefabriken Lindt & Sprungli, para. 40, 48, 49.

² <https://guidelines.euipo.europa.eu/1803436>.

These factors are relevant from the perspective of bad faith at the time of filing the application for trademark registration and have a guiding character. The court shall examine the circumstances to which the conclusion of bad faith is linked, in principle, in consideration of the moment of formulation of the application for trademark registration (being operative the rule *tempus regit actum*).

Under national court practice, HCCJ³ set out that bad faith represents the knowledge that the person making the legal deposit has of the fact that the trademark deposited by him is used by someone else or that someone else has the intention of using it, and knowing that they cannot both use the same trademark, the depositor takes advantage of the fact that the other entitled party did not register its sign in Romania and evades the rules of unfair competition aiming to remove its competitor from the market by using the attributive effect of the deposit.

3. Procedural conditions for filling an application for annulment of a trademark due to bad faith

Art. 56 of the Trademark Law sets the background for the Romanian court, who shall analyse with priority if the claimant has interest to act. Most frequently, the defendant prevails himself of such defense, by invoking the exception of lack of interest.

Interest represents one of the conditions for filling a court application. Under art. 33 CPC, the claimant's interest must be determined, legitimate, personal, born and current. However, even if the interest is not born and current, an application can be made in order to prevent the violation of a threatened subjective right or to prevent the occurrence of an imminent and irreparable damage.

The exception of lack of interest is a procedural exception by which deficiencies are invoked regarding the right to file an application, so that, by invoking it, it is intended that the application is rejected, as filed by a person lacking interest, based on the provisions of art. 40 CPC.

Through the exception of lack of interest, the defendant invokes the violation of a rule of public order, such as the one from art. 33 CPC. Since this is an absolute, peremptory exception, its possible validity would make it unnecessary to analyse the substance of the case, in accordance with art. 248 para. (1) CPC.

Since the exception of lack of interest is an absolute exception, it is subject to the procedural legal regime of invocation provided by art. 247 para. (1) CPC, and can, therefore, be invoked at any stage of the trial, also through the grounds of appeal.

Interest is regarded under high scrutiny by the Romanian court, which has retained interest to act, for example, for cases in which the claimant wants to protect his legal interests stemming from the previous use of the same verbal sign and to prevent an imminent damage, since the defendant could, in such case, request the cease and desist from using such sign. Also, the High Court argued that interest to act is met in cases when the claimant would aim to obtain a national judgment annulling a trademark, which could then be opposed with *res judicata* at a EU level, in a trial before EUIPO, who recognizes *res judicata* of national rulings.

4. Substantive conditions for filling an application for annulment of a trademark due to bad faith

In the analysis of bad faith when registering a trademark, it is necessary to establish the objective element (the knowledge by the owner of the registration request of the relevant fact, respectively of the circumstance of the use of the sign by a third party, by virtue of which he acquired a certain knowledge on the market), but also of the subjective element, namely the dishonest intention of the applicant for registration. The mere knowledge by the applicant of the use of the sign by a third party at the time of the application for registration is not considered sufficient. Good faith in the registration of the trademark is presumed, so it is the plaintiff who must prove that the applicant acted in bad faith when registering a trademark in Romania.

When analysing the applicant's bad faith, Romanian courts⁴ also analysed the concept of good faith under Romanian laws. As such, courts argued that good faith, similar to bad faith, is an element of an intentional order, which belong to the world inside of man. These elements do not have a material existence and cannot be perceived from the outside of the one who it is animated by these subjective elements, so that they absolutely cannot form the object of a direct evidence. For this reason, the legislator regulated at the level of principle the legal and relative presumption of good faith according to art. 14 para. (2) CC. This level can be overturned through evidence contrary, indirect, from which bad faith can be deduced. Therefore, bad faith cannot form the object of direct evidence, but it can be at most deduced from the existence of indirect evidence. For this purpose, courts usually administer the proofs with interrogation of the parties and testimonial proofs.

³ HCCJ, civ. dec. no. 6759/17.12.2010.

⁴ CA Bucharest, civ. dec. no. 1260/A/08.10.2020.

In practice⁵, Romanian courts found that the condition of the subjective element is met as long as the parties were competitors on the same market and the plaintiff was already using the sign with the trademark function for its own products on the date of the defendant's registration of the sign as a trademark. In such a situation, the courts deemed that the purpose of the registration of the trademark was to take advantage of the result of the long-term use by the plaintiff of the identical sign, with the function of a trademark, which indicates the existence of the unfair intention of the defendant when registering the sign as a trademark, as well as to prohibit the plaintiff for future use of this name, based on the exclusive rights acquired through registration, according to art. 36 para. (1) from Law no. 84/1998. Therefore, in such particular case, the defendant's bad faith results from the fact that he sought to profit improperly from a name used for a long time by a competitor on the market, by appropriating that name and the related clientele.

Another typical situation when Romanian courts⁶ retained that the trademark applicant acted in bad faith is the one in which the applicant is also the creator of the trademark designated to identify the services offered by the plaintiff, and is a partner in the defendant company, which requested the registration of the contested trademark in its own name, and once the registration was obtained, he filed a legal action against the plaintiff to request the prohibition of the right to use the brand, offering to sell it instead. In the context of the factual situation described above, the court held that the plaintiff proved the essential elements of bad faith, namely, the objective element, consisting in the knowledge of the fact that there were legitimate interests in connection with the brand, and the subjective element, consisting in the illicit purpose of the registration and the intention to harm the one who justifies such rights or legitimate interests, and this all the more since the plaintiff justifies the previous use of the sign that makes up the trademark registered by the defendant.

In this case, the Romanian courts also raised the matter of the function and purpose of trademarks, in order to justify that any derailing from such functions and purposes could be construed as bad-faith. As such, the national court made reference to the conclusions of the European Court of Justice, which stated The Court of Justice which stated that the essential function of the trademark is to guarantee the identity of origin of the product or service designated by the trademark the consumer or user data the, allowing him to distinguish without confusion this product or service from those that have a different origin. Another function of the brand is the competitor function, which guarantees that all the products and services bearing it come from the control of a single company. The two essential functions of the trademark determine the legal purpose of the use of the trademark consisting in its exclusive use to indicate the commercial origin of the products and services and not for other purposes, such as the removal from the market of an existing or potential competitor, for the purpose of blocking.

In this case, the matter of the parties' position of competitors was also analysed. The court ascertained that due to the different objects of activity of the two parties, they are not competitors on the market. Therefore, not being active in the same field as the plaintiff, the defendant had no interest in registering a trademark for services that did not fall within its scope of activity. Further along this line of reasoning, the Court of Appeal found that the appellant's critic regarding the Tribunal's erroneous determination of the fact that the appellant's purpose in registering the trademark was to eliminate a competitor is well founded. However, the Court of Appeal also argued that, although the case is not about removing or blocking the activity of a competitor, nevertheless what was sought was to block the activity of the applicant under the sign in dispute or to allow the continued use of this sign on the condition of purchasing the trademark from the appellant. However, this purpose is also one that outlines the existence of bad faith when filling the application for trademark registration, as it is not in accordance with the purpose for which trademark registration and the regime of rights arising from registration were regulated.

The Romanian courts have recently begun to analyse bad faith in more detail, as opposed to past approaches, in which although some situations could open a sounder inquiry on the good or bad faith, were simply dismissed. For example, one court⁷ rejected the claim for annulment of a trademark for bad faith, considering that the fact that the directors of the two companies acting as plaintiff and defendant knew each other, collaborated, that they were part of the same political party or that one of them used the plaintiff company's car are not likely (even if proven) to lead to the conclusion of the existence of bad faith at the time of trademark registration.

In other past cases, Romanian courts⁸ made a superficial analysis by which they decided that the registration of a trademark was done in bad faith, considering that the trademark applicant was aware of the fact that the plaintiff's name and reputation on the meet market in Romania was increasing, without

⁵ HCCJ, civ. dec. no. 2063/01.11.2022.

⁶ CA Bucharest, civ. dec. no. 35A/17.01.2018, final through HCCJ, dec. no. 242/01.02.2019.

⁷ Bucharest Trib., 1st court, dec. no. 1278/06.07.2011.

⁸ Bucharest Trib., 1st court, dec. no. 1802/24.11.2010.

administering additional proofs which could have formed the basis of this conclusion.

In other cases⁹, one of the defendant's arguments against his alleged bad faith was the lack of any commercial relationships with the plaintiff. As such, the defendant claimed that the fraudulent intention must be seen in the context of the history of the trial parties and such lack of direct commercial or competitive relations also proves the lack of bad faith when registering the trademark. He argued that as long as he did not have commercial or direct relations with commercial companies, he had no way of registering a trademark for the purpose of blocking the plaintiffs' access to the market, because at the time of the trademark registration, he was not aware of the existence of these plaintiffs. Moreover, even the plaintiffs admitted that they had no direct commercial or competitive relations with the party they represent. In this case, the Court argued that bad faith exists through the knowledge that the depositor has about the filed trademark or through the knowledge that he could have had with minimal diligence that normally should have been undertaken. The court analysed the criteria of diligence the trademark applicant proved when registering the trademark, since a professional must inform himself, he must know what is happening on the market on which he operates and he must be honest with himself and the competition. As such, the obligation to be diligent lies with the application of the trademark, who cannot avail himself of now knowing the trademark's situation, if reasonable diligences were performed.

5. Conclusions

While the Romanian market is in a continuous development, the function of a trademark becomes more and more relevant, both from the consumer's perspective and from the trademark owner's perspective, as seen through the lense of the case law presented herein. The trademark owner is interested in building its business based on a well-known trademark, while the consumer's immediate purpose is to benefit from genuine products, ensured by the guarantee of the trademark's reputation.

Although frictions can arise between contractual partners, based on the case law analysed within this study, the latter have become more and more aware of their active role on the market and are not refraining from more energetic means of protection, such as the claims for trademark annulment in bad faith. In the same time, Romanian courts have become more specialised and understand better the necessity to safeguard a trademark from a commercial perspective. Their recent in-depth approach has helped numerous plaintiffs in supporting their position as honest market competitor, who have been given a chance to resume their business after the unlawful registration of a trademark has been corrected by the court.

In the future, it is expected that more plaintiffs address the court in view of protecting their rights and in order to safeguard their position on the market, against unlawful trademark registration by their competitors or even by their collaborators.

References

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⁹ Bucharest Trib., 1st court, dec. no. 1592/19.12.2014.