

However, the generic nature of a CTM under Article 51 of the CTMR must be distinguished from a generic mark addressed in the provisions of Article 7(1) (d) of the CTMR. While the former trade mark becomes generic due to inactivity or acts of the proprietor, the proprietor is not an instrumental in making the mark in the latter category generic. The mark in the latter category is inherently generic and its registration may be objected on the basis of absolute grounds described above.

Another mode of improper trade mark use which renders a CTM liable for revocation is stated in Article 51(1) (c) of the CTMR. The provisions warrant revocation of a CTM “if, in consequences of the use made of it by the proprietor of the trade mark or with his consent in respect of the goods or services for which it is registered, the trade mark is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services”. However, there is a notable difference between the provisions of Article 51(1) (c) of the CTMR, which, accordingly, deals with the trade mark liable to mislead the public following the use made of it, and the legal import of Article 7(1) (g), addressing the trade signs which have potentialities to mislead the public *ab initio*. As a matter of law, the former provisions serve as a ground for revocation, while the latter serve as an absolute ground for refusal to register a trade sign as a CTM.

II. Invalidity

The rights of a CTM proprietor are not immune from being challenged. Third parties are empowered by the provisions of Articles 52 and 53 of the CTMR to challenge the legality of a registered CTM under certain circumstances. Two options are available to the one who seeks to challenge the existence of CTM rights: 1. He may lodge his claim for invalidity directly with OHIM asking the Office to cancel the CTM, or; 2. if the CTM proprietor institutes infringement proceedings before a CTM court, the defendant may counterclaim by pleading that the registration of the CTM is invalid.⁶¹⁴ The substantive justifications for invalidity proceedings are not based on whether such proceedings are instituted before OHIM or the CTM court; but rather on the existence of substantive and relative grounds for invalidity.

614 Cf. Article 99(1) which stipulates as follows: “The Community trade mark courts shall treat the Community trade mark as valid unless its validity is put in issue by the defendant with a counterclaim for revocation or for a declaration of invalidity”.

1. Absolute grounds for invalidity

Article 52 of the CTMR describes various legal scenarios whose proof renders a CTM absolutely invalid. Essentially, the CTM is to be declared invalid if the subject matter of the CTM registration did not meet the requirements of Article 7 of the CTMR.⁶¹⁵ Thus, where the absolute grounds for trademark refusal skipped the mind of OHIM, and the registrar proceeded to register a sign as a CTM, Article 52 of the CTMR transforms the absolute grounds for trademark refusal under Article 7 of the CTMR into absolute grounds for invalidity.

A CTM registered in breach of Article 7(1) (b) (c), or (d) may not be invalidated on absolute grounds, if a sign covered by such a CTM has acquired a secondary meaning.⁶¹⁶ In other words, “a trademark which is not distinctive, or is generic or descriptive, has nevertheless been registered, it cannot be declared invalid if, as a result of the use which has been made of it, it has, after registration, acquired a distinctive character in relation to the goods or services for which it is registered”.⁶¹⁷

As a matter of principle, a proprietor should always act honestly when registering his trade mark. Thus, a CTM registration secured based on a bad faith will not withstand invalidity proceedings instituted on the basis of absolute grounds mentioned under Article 52(1) (b) of the CTMR. The “bad faith” mentioned in the above provision, have been interpreted to refer to a scenario where a CTM applicant is taken to have proceeded with the CTM registration notwithstanding a clear or imputed knowledge as to prior use of another trademark similar with or identical to his.⁶¹⁸ However, the practice of OHIM’s Boards of Appeal in relation to invalidity based on ‘bad faith’ shows that good faith will always be presumed unless the contrary is proved. The burden to render such proof is primarily placed on the cancellation applicant.⁶¹⁹

615 Article 7 of the CTMR deals particularly with signs which are incapable of distinguishing goods or services of one undertaking from those marketed or offered by other undertakings. For the discussion on the Article *cf.* section D(I) of this chapter.

616 *Cf.* Section D (I) (7) of this chapter.

617 GASTINEL, E., & MILFORD, M., “The Legal Aspects of the Community Trade Mark” 171 (Kluwer Law International, The Hague 2001).

618 KOOLIJ, P.A.C.E. van der, “The Community Trade Mark Regulation: An Article by Article Guide” 103 (Sweet & Maxwell, London 2000).

619 *Cf.* the following decisions of the OHIM’s Boards of Appeal: R 0336/2007-2 CLAIRE FISHER / CLAIRE FISHER; R 255/2006-1 JOHNSON PUMP; R 1264/2006-2 KREMOVY; and R 1265/2006-2 SMETANOVY. The decisions are cited in OHIM’s Boards of Appeal: Yearly Overview of Decisions 2007, at p. 20, available at <http://oami.europa.eu/en/office/aspects/pdf/BoAcaselaw2007_en.pdf> (status: 30 July 2012).

According to Article 52(3) of the CTMR, a CTM need not be invalidated in totality. Thus, a CTM may be invalidated partially. Partial invalidation is possible where for instance the mark is found not to be distinctive in respect of some goods covered by registration, hence it will be invalidated to the extent of its non-distinctiveness, while remaining valid in respect of the goods or services in connection with which it is distinctive. Thus, invalidity based on bad faith may deny the CTM's use only in respect of limited number of goods covered by the bad faith "scandal".

It is not an easy task to determine whether an application for CTM registration was made in bad faith.⁶²⁰ Nevertheless, the *Colour of Elegance* case⁶²¹ throws some light on a legal interpretation of the phrase "bad faith". The case considers some fundamental issues such as "whether an application to register the Community trade mark THE COLOUR OF ELEGANCE for clothes should be withdrawn for bad faith" or "whether the proprietor of the trade mark ELEGANCE acted dishonestly by seeking to register the COLOUR OF ELEGANCE to prevent a competitor from launching an advertising campaign under that name".⁶²² Accordingly, the *Deutscher Bundesgerichtshof* (i.e. the Germany Federal Supreme Court) held that:

A trade mark application in bad faith is to be presumed if the application is an abuse of the law or dishonest. The applicant for a sign, however, is not acting dishonestly simply because he knows that another is using the same sign in Germany for the same goods

620 The concept "bad faith" "is the functional equivalent to "fraudulently obtained registrations" under the Lanham Act". The concept "fraudulent registrations" under the Act has been construed by the U.S. Patent and Trademark Office (USPTO) as an "intentional deceitful practice or act designed to obtain something to which the person practicing such deceit would not otherwise be entitled. Specifically, it involves a willful withholding from the Patent and Trademark Office by an applicant or registrant of material information or fact which, if disclosed to the Office, would have resulted in the disallowance of the registration sought or to be maintained" (*Cf.* PETRIN, M., "Cancellation of Fraudulent Trademark registrations under the Lanham Act and the European Community Trade Mark Regulation" 11(2) *Intell. Prop. L. Bull.* 161, 165 (2006-2007)).

621 Germany, *Bundesgerichtshof* (*Colour of Elegance*) (I ZR 29/02), 37(2) IIC 226, 228 (2006).

622 The case concerns essentially a bad faith claim grounded on unfair competition. The plaintiff was using his unregistered mark ELEGANCE in Germany for a long time. When he got to know that the defendant was about to launch advertising campaign using a mark similar to the one adopted and used by the plaintiff in respect of goods identical or confusingly similar to those of the plaintiff; the plaintiff processed the registration of the said mark. However, the defendant went on to carry out his advertisements even after the mark has been registered. The plaintiff sued, and in course of the proceedings, the defendant entered a plea of counterclaim on the grounds that registration of the mark was secured on the basis of a bad faith. (*Cf.* 37(2) IIC 226 (2006)).

without having acquired formal trademark rights. However, the case may be different if there are particular circumstances on the part of the holder of the sign that cause the registration of the sign to appear dishonest within the meaning of the said provisions.⁶²³ Such circumstances could be that the sign holder, knowing the established interests of the prior user and without sufficient objective grounds, has the same or a confusingly similar sign registered for the same or similar goods with the aim of interfering with latter making use of the designation. Competitive dishonesty can also be found in a trade mark applicant's misappropriating the blocking effect that is created upon registration of the trade mark and that in terms of competition law is of itself unobjectionable, as a means of competition.

The “bad faith” doctrine is regarded to be a narrow concept within the ambit of the CTMR.⁶²⁴ Due to the lack of specific meaning of the phrase, efforts to expound it antithetically are on record. The OHIM's cancellation board has for example held “bad faith” to be the opposite of “good faith” signalled by an inference that a scheme used to secure a CTM registration was haunted by an actual or constructive fraud, or “an intention to mislead or deceive another including any sinister motive”.⁶²⁵

The facts of the BE NATURAL case⁶²⁶ may throw some more light as to the meaning of the bad faith doctrine. A defendant, a UK resident, was a distributor of some “confectionary and health food bars” manufactured by an Austrian company (i.e. the applicant in the invalidity proceedings before OHIM) and sold under the mark “BE NATURAL”. The applicant had registered the mark in Austria intending to register the same in the UK. Meanwhile, the UK distributor attempted to secure a UK registration of the mark BE NATURAL in his name without success because the UK Trade Mark Office had concluded that the distributor did not have a right to register the mark in question. However, the distributor sought, and succeeded, to secure a CTM registration for the said mark. OHIM cancellation division upheld the applicant's arguments supporting cancellation of the distributor's CTM. In view of the fact that the distributor's application for the registration of the mark in the UK was refused, it was held

623 The provisions concerned are Articles 52(1) (b) and 3(2) (d) of the CTMR and the Community trade mark directive respectively. Germany law on trade mark and other distinctive signs implements Article 3(2) (d) of the directive in its Sections 8(2), (10) and 50(1).

624 i.e. Article 52(1) (b) of the CTMR.

625 See OHIM, Cancellation Division, Decision in BE NATURAL, C000479899 (25 October 2000). See in particular paragraph 10 of the decision where OHIM adds that “bad faith can be understood as a “dishonest intention” ... that ... may be interpreted as an unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing”.

626 OHIM, Cancellation Division, Decision in BE NATURAL, C000479899 (25 October 2000), paragraph 4.

that the distributor's application to register the mark as a CTM was actuated by bad faith, particularly since he knew that, in his agent-principal relationship, the principal intended to register the mark; the distributor (i.e. an agent) wanted to pre-empt his principal/employer from registering the mark in the UK.

2. Relative grounds for invalidity

Relative grounds upon which a CTM may be declared invalid by OHIM or a CTM court are provided for under Article 53 of the CTMR. These are essentially the earlier rights mentioned in Article 8(2) to (4) of the CTMR, which entitle owner of a respective rights to oppose registration of a particular sign as a CTM.⁶²⁷ Similarly, earlier rights such as a right to a name, a right of personal portrayal, a copyright; or an industrial property right "which may prohibit the use of a trademark pursuant to domestic system of law which governs that earlier right"⁶²⁸ are also relative grounds for invalidity. However, the holder of the above earlier rights is not entitled to challenge a later CTM if he had expressly consented to its registration. It is important to note, where more than one earlier right forms part of the relative grounds for invalidity, such rights must be outlined in the first application for invalidity or in the first counterclaim in the infringement proceedings. Thus, a person invoking one or some of these grounds cannot be allowed to challenge the validity of a CTM basing on some grounds which were not invoked in the previous proceedings relating to the same CTM.

III. Effects of CTM revocation and invalidity

According to Article 55 of the CTMR, the rights which a CTM proprietor enjoys under the Community trade mark regulation, in particular the exclusive rights provided for under Article 9, are regarded not to have been effective as from the date of application for revocation or of the counter-claim. As one author points out, "the retroactive effect of any revocation of CTM rights does not affect decisions in infringement actions, which have become final and have been enforced prior to the revocation of CTM rights, subject to the application of relevant provisions of national law as to the remedies which might be available

627 See section D of this chapter, for a discussion on relative grounds for refusal to register a sign as a CTM.

628 GASTINEL, E., & MILFORD, M., "The Legal Aspects of the Community Trade Mark" 172 (Kluwer Law International, The Hague 2001).