Reports of Cases

JUDGMENT OF THE GENERAL COURT (Fourth Chamber)

21 March 2012*

(Community trade mark — Invalidity proceedings — Community figurative mark FS — Applicant acting in bad faith — Article 51(1)(b) of Regulation (EC) No 40/94 (now Article 52(1)(b) of Regulation (EC) No 207/2009)

In Case T-227/09,

Feng Shen Technology Co. Ltd, established in Guieshan Township (Taïwan), represented by P. Rath and W. Festl-Wietek, lawyers,

applicant,

v

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), represented by A. Folliard-Monguiral, acting as Agent,

defendant,

the other party to the proceedings before the Board of Appeal of OHIM, intervener before the General Court, being

Jarosław Majtczak, residing in Łódź (Poland), represented initially by J. Wyrwas, and subsequently by J. Radłowski, lawyers,

ACTION brought against the decision of the Fourth Board of Appeal of OHIM of 1 April 2009 (Case R 529/2008-4), relating to invalidity proceedings between Feng Shen Technology Co. Ltd and Jarosław Majtczak,

THE GENERAL COURT (Fourth Chamber),

composed of I. Pelikánová, President, K. Jürimäe and M. van der Woude (Rapporteur), Judges,

Registrar: S. Spyropoulos, Administrator,

having regard to the application lodged at the Court Registry on 10 June 2009,

having regard to the response of OHIM lodged at the Court Registry on 24 November 2009,

* Language of the case: English.

having regard to the response of the intervener lodged at the Court Registry on 28 November 2009,

having regard to the reply lodged at the Court Registry on 1 April 2010,

having regard to the rejoinder lodged at the Court Registry on 29 June 2010,

further to the hearing on 18 October 2011,

gives the following

Judgment

Background to the dispute

1 The applicant, Feng Shen Technology Co. Ltd, is a Taiwanese company which produces and distributes various articles, including zip fasteners. It holds, inter alia, several Taiwanese marks registered, in particular, to designate goods in Class 26 of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended, and corresponding, in particular, to the following description: 'zip fasteners' and consisting of the following figurative sign:



2 In 2000, the applicant entered into business relations with the intervener, Mr Jarosław Majtczak, who carried out business activities in Poland under the name 'P H U Berotex'.

3 In the course of an exchange of e-mails with the applicant, the intervener referred to a catalogue of the applicant for zip fasteners. The invoices issued by the applicant in the course of its business relations with the intervener bore the earlier Taiwanese mark, together with the symbol ®.

4 The business relations between the applicant and the intervener ended in January 2005.

5 The applicant turned to another distributor for Poland, namely the company Pik Foison sp. z o.o., which was created in 2004.

6 On 7 June 2005, the intervener filed an application for registration of a Community trade mark at the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), under Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), as amended (replaced by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1)).

7 The mark, which was registered on 15 May 2006, under number 4431391, for goods in Class 26 of the Nice Agreement corresponding to the following description: 'zip fasteners', is the following figurative sign:



8 On 29 September and 2 October 2006, at the request of the intervener, the Polish customs authorities seized from Pik Foison consignments of zip fasteners bearing the earlier Taiwanese marks.

9 On 17 October 2006, pursuant to Article 51(1)(b) of Regulation No 40/94 (now Article 52(1)(b) and (c) of Regulation No 207/2009), the applicant filed an application for a declaration of invalidity against the mark registered under number 4431391 on the ground that the intervener was acting in bad faith when he filed the application for the trade mark. The applicant claimed in particular that the intervener knew that the applicant was using a sign comprising the capital letters 'F' and 'S' in the European Union as a mark for zip fasteners and that the application for registration of the contested mark had been filed with the aim of preventing that use.

10 On 24 January 2008, the Cancellation Division adopted a decision rejecting the application for a declaration of invalidity.

11 On 25 March 2008, the applicant lodged an appeal with OHIM against the decision of the Cancellation Division.

12 By decision of 1 April 2009 ('the contested decision'), the Fourth Board of Appeal of OHIM dismissed the appeal. It noted, first, that there is no legal definition of the concept of bad faith and that it is, in general, behaviour which is contrary to honest commercial practice.

13 Next, the Board of Appeal considered that an applicant may have acted in bad faith where he applied for a trade mark while knowing, as a result of direct relations with a third party, that that party was using, in good faith and in regular manner, an identical mark for similar goods or services outside of the territory of the European Union. The Board of Appeal found, in this respect, that the burden of proving the existence of bad faith is on the applicant for cancellation of the Community trade mark.

14 The Board of Appeal held that the applicant had not adduced, in the present case, evidence of such bad faith. In this regard, it put forward the six considerations set out below.

15 First, the earlier Taiwanese marks and the contested mark are not similar on the visual level and the applicant had not proved that it had used the earlier Taiwanese marks before the filing date of the contested mark (point 16 of the contested decision).

16 Second, the applicant merely manufactured zip fasteners for the intervener, in accordance with specifications provided by the intervener (point 18 of the contested decision).

17 Third, the intervener had started to market zip fasteners himself under the sign corresponding to the contested mark in Poland in 2000, affixing the sign now protected as a Community trade mark in Poland (points 19 and 22 of the contested decision).

18 Fourth, the applicant had not shown that it had attempted to market zip fasteners itself in the EU during the period between 2000 and 2005 (point 20 of the contested decision).

19 Fifth, the applicant had not shown any interest in protecting a sign comprising the group of capital letters 'FS' in the EU before the filing date of the contested mark (point 22 of the contested decision).

20 Sixth, the intervener was not, as a matter of law, required to inform the applicant beforehand of his intention to apply for registration of the contested mark (point 22 of the contested decision).

21 On the basis of those considerations, the Board of Appeal found, at point 24 of the contested decision, that the intervener had not acted in bad faith when filing the application for registration.

Procedure and forms of order sought

22 The applicant claims that the General Court should:

— annul the contested decision;

— declare the contested mark invalid;

— order OHIM to pay the costs.

23 OHIM and the intervener claim, in essence, that the General Court should:

— dismiss the action;

— order the applicant to pay the costs.

Law

Documents submitted for the first time before the General Court

24 At the hearing, OHIM disputed the admissibility of evidence adduced for the first time before the General Court, namely documents which were not included in OHIM's file and which the applicant and the intervener had annexed to the reply and rejoinder, other than documents submitted in response to questions raised by the General Court.

25 In that regard, it should be noted that the purpose of an action before the General Court is to review the legality of decisions of the Boards of Appeal of OHIM for the purposes of Article 63 of Regulation No 40/94 (now Article 65 of Regulation No 207/2009), and, in proceedings for annulment, the legality of the contested measure must be assessed on the basis of the elements of fact and of law existing at the time when the measure was adopted. Consequently, according to settled case-law, the General Court's function is not to re-evaluate the factual circumstances in the light of evidence which has been adduced for the first time before it. To admit such evidence is contrary to Article 135(4) of the Rules of Procedure of the General Court, which states that the parties' pleadings may not change the subject-matter of the proceedings before the Board of Appeal (see judgment of 11 November 2009 in Case T-162/08 *Frag Comercio Internacional* v *OHIM – Tinkerbell Modas (GREEN by missako)*, not published in the ECR, paragraph 17 and the case-law cited).

26 It follows that the documents in the annexes to the reply and rejoinder presented by the applicant and the intervener for the first time before the General Court cannot be taken into consideration and must therefore be disregarded.

The application for annulment of the contested decision

27 The applicant raises a single plea in law, alleging infringement of Article 51(1)(b) of Regulation No 40/94.

28 According to the applicant, there is bad faith within the meaning of the provision mentioned above where the applicant for the mark seeks, by the registration of the mark, to 'lay his hands' on a mark of a third party with whom he has had contractual or pre-contractual relations. The applicant submits that the whole of the intervener's behaviour amounts to bad faith in that sense. The applicant points out, in particular, that it has used the earlier Taiwanese marks in the EU since 2000 and that the intervener had been informed of that use.

29 OHIM submits that it has not been established that registration of the contested mark had the sole objective of preventing the applicant from importing goods under the earlier Taiwanese marks into the EU. The intervener made genuine use of the contested mark in order to identify the commercial origin of his own goods.

30 The intervener disputes having knowledge of the earlier Taiwanese marks linked to zip fasteners. He claims that the applicant manufactured zip fasteners on the basis of specifications which he gave to it. He adds that he created the contested mark in December 1999 and that he developed it on the Polish market from 2000.

31 It should be borne in mind first that the Community trade mark system is based on the principle under Article 8(2) of Regulation No 40/94 (now Article 8(2) of Regulation No 207/2009) that an exclusive right is granted to the first applicant. Under that principle, a mark may be registered only in so far as an earlier mark does not prevent it, whether that be, in particular, a Community trade mark, a mark registered in a Member State or by the Benelux Office for Intellectual Property, a trade mark registered under international arrangements which have effect in a Member State or a mark registered under international arrangements which have effect in the EU. By contrast, the mere fact of third-party use of a non-registered mark does not prevent an identical or similar mark from being registered as a Community mark for identical or similar goods or services. The same applies, in principle, to third-party use of a mark registered outside of the EU.

32 This rule is qualified, in particular, by Article 51(1)(b) of Regulation No 40/94, under which a Community trade mark is to be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings, where the applicant was acting in bad faith when he filed the application for the trade mark. It is for the applicant for invalidity who intends to rely on that ground to establish the circumstances which enable the conclusion that the holder of a Community trade mark was acting in bad faith at the time of filing the application for its registration.

33 In its judgment in Case C-529/07 *Chocoladefabriken Lindt & Sprüngli* [2009] ECR I-4893, '*Lindt Goldhase*', the Court of Justice clarified several aspects of the way in which the notion of bad faith referred to in Article 51(1)(b) of Regulation No 40/94 should be interpreted. Accordingly, at paragraph 53 of that judgment, the Court observed that the applicant's bad faith within the meaning of that provision must be assessed as a whole, taking account of all the factors in the particular case, and, in particular:

— the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;

— the applicant's intention to prevent that third party from continuing to use such a sign;

— the degree of protection enjoyed by the third party's sign and by the sign for which registration is sought.

34 The Court of Justice also indicated in *Lindt Goldhase*, paragraph 33 above (at paragraph 44), that the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of an applicant. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

35 However, it is apparent from *Lindt Goldhase*, paragraph 33 above (paragraphs 48 and 49), that the applicant may also pursue a legitimate objective in wishing to protect himself from an attempt by a third-party who, by its recent arrival on the market, seeks to take advantage of the reputation of the applicant's sign.

36 That said, it is apparent from the wording used in *Lindt Goldhase*, paragraph 33 above, that the factors set out above are only examples drawn from a number of factors which can be taken into account in order to decide whether the applicant for registration was acting in bad faith at the time of filing the application.

37 In the present case, the Board of Appeal relied on the six considerations set out at paragraph 14 above to find lack of bad faith on the part of the intervener. It is therefore appropriate to examine them in the light of the arguments put forward by the applicant.

38 Accordingly, first, the finding made at paragraph 16 of the contested decision, according to which the contested mark was clearly different to the earlier Taiwanese marks, resulted merely from a summary visual comparison of the graphic elements of the two marks.

39 According to settled case-law, the identity or similarity between two signs, to which *Lindt Goldhase*, paragraph 33 above (paragraph 53), refers, must be examined on the basis of their visual, phonetic and conceptual similarity. That examination must, moreover, be based on the overall impression given by the marks at issue, bearing in mind their distinctive and dominant components (see Case C-334/05 P *OHIM* v *Shaker* [2007] ECR I-4529, paragraph 35, and the case-law cited).

40 Accordingly, the Board of Appeal erred in finding that there was no identity or similarity between the contested mark and the earlier Taiwanese mark without carrying out an overall analysis of all the relevant factors, and, in particular, without examining the phonetic and conceptual similarities between those two marks. In the present case, such an analysis was necessary all the more so because, as the applicant claims, the seizure of goods bearing the earlier Taiwanese marks by the Polish customs authorities at the request of the holder of the contested mark suggests that those two marks are in fact sufficiently similar to create a likelihood of confusion.

41 Second, the applicant disputes the finding by the Board of Appeal at point 18 of the contested decision that the applicant merely produced zip fasteners in accordance with the intervener's instructions. It claims that it supplied zip fasteners under the earlier Taiwanese marks, as displayed in its catalogue.

42 In that regard, it must be stated that the catalogue annexed by the applicant to its application does indeed contain zip fasteners bearing the earlier Taiwanese marks and that, in an e-mail dated 19 December 2000, the intervener referred to the applicant's catalogue to order zip fasteners.

43 Accordingly, the General Court requested the intervener to produce any document to support the claim that the intervener communicated to the applicant the specifications according to which the zip fasteners should be manufactured. The intervener answered this question by producing some invoices

and by referring to documents in the file. However, those documents do not contain technical or commercial specifications. In particular, they do not contain any evidence to suggest that the intervener had asked the applicant to affix the contested mark on the zip fasteners.

44 Therefore, it must be concluded that the finding of the Board of Appeal that the applicant manufactured zip fasteners in accordance with the intervener's instructions is not substantiated by the evidence in the file.

45 Third, according to paragraphs 19 and 22 of the contested decision, the intervener started in 2000 to market zip fasteners in Poland under the sign corresponding to the contested mark. It states that it was therefore the intervener who made that mark known in the EU.

46 However, as the applicant claims, nothing in the file enables the finding that the intervener actually used the contested mark by affixing it to goods, whether before or after the date of the application for registration. At the hearing, OHIM stated that the claim, in point 19 of the contested decision, as regards the use of the contested mark was based only on the intervener's statements and not on objective factual findings.

47 Consequently, the finding of the Board of Appeal as regards the actual use of the contested mark, the merits of which were disputed by the applicant and which is relevant to the assessment of the intervener's intention (see paragraphs 34 and 35 above), is not substantiated by the evidence in the file.

48 Fourth, the applicant claims that, contrary to what was found at point 20 of the contested decision, it sold zip fasteners in Poland between 2000 and 2005. In that regard, the Court finds that (i) the applicant's claim is substantiated by evidence which it had included in the file and (ii) that it is corroborated by the intervener, who explained, in its answer to a written question from the Court, that he had decided to end his business relations with the applicant, as the latter had started to compete on the Polish market through the intermediary Pik Foison. In that respect, it has been established during the proceedings before the Court that in 2004 the applicant had sold to Pik Foison several consignments of zip fasteners under the earlier Taiwanese marks.

49 It follows that the finding of the Board of Appeal regarding the lack of sales of zip fasteners by the applicant in the EU between 2000 and 2005 is contradicted by the evidence in the file. That finding is relevant to the assessment of the commercial efforts of the applicant and the intervener in the EU and, consequently, to the intervener's intention.

50 In the light of the foregoing, it must be concluded that four of the six considerations taken into account by the Board of Appeal are not based on an analysis of all of the relevant factors, as required by *Lindt Goldhase*, paragraph 33 above (paragraph 53), and are not substantiated by the evidence in the file or are based on incorrect factual findings.

51 As regards the two remaining considerations, it must be noted that they are insufficient in themselves to determine whether the intervener acted in bad faith when filing his application for a Community trade mark. The fact that the applicant did not show any interest in protecting the earlier Taiwanese marks in the EU and the fact that the intervener was not, as a matter of law, required to inform the applicant beforehand of his application for a Community trade mark do not enable the intervener's intention at the time of filing that application to be identified.

52 Consequently, the Board of Appeal could not correctly find that the intervener was not acting in bad faith and dismiss the application for invalidity lodged by the applicant on the basis of those considerations.

53 The sole plea in law must therefore be upheld and the contested decision annulled.

Application for a declaration of invalidity of the contested mark

54 First of all, it must be noted that, in requesting the Court to declare the contested mark invalid, the applicant has made an application for alteration, under Article 65(3) of Regulation No 207/2009, asking the Court to adopt the decision that the Board of Appeal ought to have taken (see, to that effect, judgment of 4 October 2006 in Case T-190/04 *Freixenet* v *OHIM (Shape of a frosted white bottle)*, not published in the ECR, paragraphs 16 and 17). Consequently, this application is admissible, contrary to what OHIM maintains.

55 However, it must be recalled that the power to alter decisions does not have the effect of conferring on the Court the power to substitute its own reasoning for that of a Board of Appeal or to carry out an assessment on which that Board of Appeal has not yet adopted a position. Exercise of the power to alter decisions must therefore, in principle, be limited to situations in which the Court, after reviewing the assessment made by the Board of Appeal, is in a position to determine, on the basis of the matters of fact and of law as established, what decision the Board of Appeal was required to take (Case C-263/09 P *Edwin* v *OHIM* [2011] ECR I-5853, paragraph 72).

56 In the present case, the factors established in the contested decision do not enable the Court to determine what decision the Board of Appeal was required to take. Indeed, while those factors do not justify the finding that the intervener was not acting in bad faith, as the Court stated above in the course of examining the application for annulment, they also do not justify, in themselves, the contrary finding.

57 Accordingly, the applicant's application for alteration requesting that the Court declare the contested mark invalid must be rejected.

Costs

58 Under Article 87(2) of the Rules of Procedure, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Since OHIM has been unsuccessful, it must be ordered to pay the costs in accordance with the form of order sought by the applicant.

59 Under the third subparagraph of Article 87(4) of the Rules of Procedure, the Court may order an intervener to bear his own costs. In this case, the intervener shall bear his own costs.

On those grounds,

THE GENERAL COURT (Fourth Chamber)

hereby:

1. **Annuls the decision of the Fourth Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) of 1 April 2009 (Case R 529/2008-4);**

2. **Orders OHIM to bear its own costs and pay the costs of Feng Shen Technology Co. Ltd;**

3. **Orders Mr Jarosław Majtczak to bear his own costs.**

Pelikánová Jürimäe van der Woude

Delivered in open court in Luxembourg on 21 March 2012.

[Signatures]