JUDGMENT OF THE COURT (First Chamber)

11 June 2009 *

In Case C-529/07,

REFERENCE for a preliminary ruling under Article 234 EC from the Oberster Gerichtshof (Austria), made by decision of 2 October 2007, received at the Court on 28 November 2007, in the proceedings

Chocoladefabriken Lindt & Sprüngli AG

v

Franz Hauswirth GmbH,

THE COURT (First Chamber),

composed of P. Jann, President of the Chamber, M. Ilešič (Rapporteur), A. Tizzano, E. Levits and J.-J. Kasel, Judges,

* Language of the case: German.

Advocate General: E. Sharpston,
Registrar: K. Sztranc-Sławiczek, Administrator,

having regard to the written procedure and further to the hearing on 19 November 2008,

after considering the observations submitted on behalf of:

— Chocoladefabriken Lindt & Sprüngli AG, by H.-G. Kamann and G.K. Hild, Rechtsanwälte,

— Franz Hauswirth GmbH, by H. Schmidt, Rechtsanwalt,

— the Czech Government, by M. Smolek, acting as Agent,

— the Swedish Government, by A. Falk and A. Engman, acting as Agents,

— the Commission of the European Communities, by H. Krämer, acting as Agent,

after hearing the Opinion of the Advocate General at the sitting on 12 March 2009,

gives the following

Judgment

1 This reference for a preliminary ruling concerns the interpretation of Article 51(1)(b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).

2 The reference was made in the course of proceedings between Chocoladefabriken Lindt & Sprüngli AG ('Lindt & Sprüngli'), established in Switzerland, and Franz Hauswirth GmbH ('Franz Hauswirth'), established in Austria.

3 The essential objective of infringement proceedings brought by Lindt & Sprüngli was that Franz Hauswirth should cease producing or marketing within the European Union chocolate bunnies which were so similar to the chocolate bunny protected by the three-dimensional Community trade mark of which Lindt & Sprüngli is the proprietor ('the three-dimensional mark at issue') that there was a likelihood of confusion.

4 The counterclaim of Franz Hauswirth for a declaration of invalidity of that mark rests, in essence, on the view that, under Article 51(1)(b) of Regulation No 40/94, the mark cannot be protected as a trade mark because Lindt & Sprüngli was acting in bad faith when it filed its application for registration of the mark.

Legal context

Community legislation

5 Under the heading 'Absolute grounds for invalidity', Article 51(1)(b) of Regulation No 40/94 provides:

'A Community trade mark shall be declared invalid on application to the Office [for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)] or on the basis of a counterclaim in infringement proceedings,

…

(b) where the applicant was acting in bad faith when he filed the application for the trade mark.'

6 Regulation No 40/94 was repealed by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which came into force on 13 April 2009. However, given the material time in the main proceedings, the applicable legislation remains Regulation No 40/94.

National legislation

7 Paragraph 34(1) of the Austrian Law on the protection of trade marks (Markenschutzgesetz, BGBl. 260/1970), in the version published in BGBl. I, 111/1999, provides:

'Any person can apply for a trade mark to be cancelled if the applicant was acting in bad faith at the time of application.'

8 Under Paragraph 9(3) of the Austrian Law against unfair competition (Bundesgesetz gegen den unlauteren Wettbewerb, BGBl. 448/1984), in the version published in BGBl. I, 136/2001, the get-up, packaging and wrapping of goods are to be given the same protection as an undertaking's specific designation if they are regarded by the relevant public as distinguishing signs of the undertaking.

The main proceedings and the questions referred for a preliminary ruling

9 In both Austria and Germany chocolate bunnies, commonly called 'Osterhasen' (Easter bunnies), have been marketed since at least 1930 in various shapes and colours.

10 The individual shapes of chocolate bunnies differed considerably when they were manufactured and wrapped by hand, but since the introduction of automated wrapping, industrially manufactured bunnies have become increasingly similar.

11 Lindt & Sprüngli has since the early 1950s produced a chocolate bunny with a shape very like that protected by the three-dimensional mark at issue. Since 1994, Lindt & Sprüngli has marketed it in Austria.

12 In 2000 Lindt & Sprüngli became proprietor of the three-dimensional mark at issue, representing a gold-coloured chocolate bunny, in a sitting position, wearing a red ribbon and a bell and with the words 'Lindt GOLDHASE' in brown lettering, as shown below:



13 That mark is registered for chocolate and chocolate products within Class 30 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.

14 Franz Hauswirth has marketed chocolate bunnies since 1962. The bunny at issue in the main proceedings is shown below:



15 In the opinion of the referring court, there is a likelihood of confusion between, on the one hand, the chocolate bunny produced and marketed by Franz Hauswirth and, on the other, the chocolate bunny produced and marketed by Lindt & Sprüngli under the three-dimensional mark at issue.

16 There is a likelihood of confusion particularly because in shape and colour the bunny produced and marketed by Franz Hauswirth is similar to that which is protected by the three-dimensional mark at issue and because Franz Hauswirth affixes a label to the underside of the product.

17 The referring court also states that other manufacturers based in the European Community produce chocolate bunnies similar to that registered as the three-dimensional mark at issue. Moreover, many of those manufacturers clearly display the name of their undertaking on those bunnies, in such a way as to be seen by the purchaser.

18 Before registration of the three-dimensional mark at issue, Lindt & Sprüngli took legal proceedings under national competition law or national industrial property law only against manufacturers of products which were identical to the product for which that mark was subsequently registered.

19 After registration of the three-dimensional mark at issue, Lindt & Sprüngli began to take legal proceedings against manufacturers who, to its knowledge, were manufacturing products so similar to the bunny protected by that mark that there was a likelihood of confusion.

20 The Oberster Gerichtshof (Supreme Court) states that the decision it will have to make on the counterclaim brought by Franz Hauswirth depends on whether Lindt & Sprüngli was acting in bad faith within the meaning of Article 51(1)(b) of Regulation No 40/94 when it filed its application for registration of the three-dimensional mark at issue.

21 In those circumstances the Oberster Gerichtshof decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Is Article 51(1)(b) of … Regulation No 40/94 … to be interpreted as meaning that an applicant for a Community trade mark is to be regarded as acting in bad faith where he knows, at the time of his application, that a competitor in (at least) one Member State is using the same sign, or one so similar as to be capable of being confused with it, for the same or similar goods or services, and he applies for the trade mark in order to be able to prevent that competitor from continuing to use the sign?

(2) If the first question is answered in the negative:

Is the applicant to be regarded as acting in bad faith if he applies for the trade mark in order to be able to prevent a competitor from continuing to use the sign, where, at the time he files his application, he knows or must know that by using an identical or similar sign for the same goods or services, or goods or services which are so similar as to be capable of being confused, the competitor has already acquired a "valuable right" ("wertvollen Besitzstand")?

(3) If either the first or the second question is answered in the affirmative:

Is bad faith excluded if the applicant's sign has already obtained a reputation with the public and is therefore protected under competition law?'

The questions referred for a preliminary ruling

22 By its questions, which should be considered together, the referring court essentially seeks guidance on the relevant criteria to be taken into consideration in order to determine whether the applicant was acting in bad faith when he filed the application for the trade mark, within the meaning of Article 51(1)(b) of Regulation No 40/94.

Arguments of the parties

23 Lindt & Sprüngli claims, in essence, that the fact that the applicant is aware of market competitors and intends to prevent their entering the market does not constitute acting in bad faith, within the meaning of Article 51(1)(b) of Regulation No 40/94. According to Lindt & Sprüngli, those factors must be accompanied by conduct which is dishonest, in other words contrary to accepted principles of business ethics. In the main proceedings, no such conduct was demonstrated.

24 According to Lindt & Sprüngli, the three-dimensional mark at issue possessed, even before the filing of the application for its registration, both reputation and distinctiveness in the market and was therefore protected in the various Member States of the European Union, under either unfair competition law or trade mark law. Further, that mark was used as a sign for a substantial period before the filing of the application for registration and acquired that reputation as a result of significant expenditure on advertising. Consequently, the object of registration of that sign as a trade mark was to protect its commercial value against products which imitated it.

25 On the other hand, according to Lindt & Sprüngli, if OHIM registers a sign as a trade mark which is thereafter not actually used, third parties can, on the basis of Article 51(1)(b) of Regulation No 40/94, claim before expiry of a five-year period that the applicant was, at the time of applying for that mark, acting in bad faith and request a declaration of the invalidity of the mark on that ground.

26 Franz Hauswirth contends, in essence, that Article 51(1)(b) of Regulation No 40/94 provides the necessary remedy, either where the traditional absolute grounds for refusal of registration do not apply, or where the relative grounds for refusal cannot be applied because no right to protection has been acquired. Accordingly, Franz Hauswirth contends that bad faith is established where the applicant for registration of a sign as a trade mark was aware of the use, by a competitor who had obtained a valuable right ('wertvollen Besitzstand') in at least one Member State, of an identical or similar sign for identical or similar goods or services, and applied for registration of the sign as a Community trade mark in order to prevent that competitor from continuing to use his sign.

27 Consequently, according to Franz Hauswirth, Lindt & Sprüngli's intention, in registering the three-dimensional mark at issue, was to eliminate all its competitors. Lindt & Sprüngli was attempting to prevent it from continuing to manufacture a product which had been marketed since the 1960s or, in its present form, since 1997. By

reason of having a valuable right ('wertvollen Besitzstand'), Franz Hauswirth ought to retain its market and competitors in the Community should not be able to threaten it.

28 Franz Hauswirth adds that it is clear that the wording of Article 51(1)(b) of Regulation No 40/94 does not expressly provide for the possibility of bad faith being cured when the sign for which registration as a trade mark is sought has a reputation, with the result that, in the main proceedings, no account can be taken of the reputation acquired before registration of the three-dimensional mark at issue.

29 The Czech Government considers, first, that Article 51(1)(b) of Regulation No 40/94 must be interpreted to mean that an applicant who applies for registration of a mark in order to prevent a competitor from continuing to use an identical or similar sign, when he knows or must know, when filing the application for registration, that a competitor has obtained a valuable right ('wertvollen Besitzstand') through the use of such a sign for goods or services which are identical or so similar as to be capable of causing confusion, must be regarded as acting in bad faith. The Czech Government adds that the fact that the sign used by the applicant has already achieved a reputation does not exclude bad faith.

30 The Swedish Government states, in essence, that if the applicant knew that another economic operator was using the sign capable of causing confusion, that is sufficient for it to be established that there was bad faith, within the meaning of Article 51(1)(b) of Regulation No 40/94. That government states that the objective of registration of a sign as a trade mark, namely to prevent a competitor from continuing to use a sign and to profit from the acquired value of that sign, has no relevance to the question of determining bad faith. The government adds that neither the wording nor the structure of Regulation No 40/94 in any way lends support to intention being a required factor and the converse interpretation would both entail needless evidential difficulties and mean that the economic operator who had been the first to use the sign concerned would have less opportunity to challenge an unwarranted registration.

31 The Commission of the European Communities contends, in essence, that OHIM must check in the course of the procedure of registering a sign as a trade mark whether the mark is being applied for with a view to its being actually used. On the other hand, if OHIM registers a sign as a trade mark which is not then actually used, it is then also open to third parties, on the basis of Article 51(1)(b) of Regulation No 40/94, to claim, within a period of five years, that the applicant was acting in bad faith at the time of registration of that sign as a trade mark and to request a declaration of invalidity of the mark on that ground.

32 As regards the criteria relevant to determining whether the applicant was acting in bad faith, the Commission refers to the applicant's conduct in the market, the conduct of other operators in relation to the sign which has been submitted for registration, the fact that the applicant, at the time of filing, may have a portfolio of trade marks, and all the other specific circumstances of the particular case.

33 On the other hand, the Commission considers that the relevant factors do not include the fact that a third party has been using an identical or similar sign which may or may not be capable of causing confusion, the fact that the applicant has knowledge of that use, or even the fact that the third party has obtained a valuable right ('wertvollen Besitzstand') in the sign which he is using.

A — *The Court's reply*

34 In order to answer the questions referred, it must be observed that it is clear from the wording of Article 51(1)(b) of Regulation No 40/94 that bad faith is one of the absolute grounds for the invalidity of a Community trade mark, to be relied on either before OHIM or by means of a counterclaim in infringement proceedings.

35 It is also apparent from that provision that the relevant time for determining whether there was bad faith on the part of the applicant is the time of filing the application for registration.

36 In that regard, in the present case, the only situation before the Court is the situation in which, at the time when the application for registration was filed, several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign for which registration was sought.

37 Whether the applicant is acting in bad faith, within the meaning of Article 51(1)(b) of Regulation No 40/94, must be the subject of an overall assessment, taking into account all the factors relevant to the particular case.

38 As regards more specifically the factors specified in the questions referred for a preliminary ruling, namely:

— 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; and

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

the following points can be made.

39 First, with regard to the expression 'must know' in the second question, a presumption of knowledge, by the applicant, of the use by a third party of an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought may arise, inter alia, from general knowledge in the economic sector concerned of such use, and that knowledge can be inferred, inter alia, from the duration of such use. The more that use is long-standing, the more probable it is that the applicant will, when filing the application for registration, have knowledge of it.

40 However, the fact that the applicant knows or must know that a third party has long been 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 is not sufficient, in itself, to permit the conclusion that the applicant was acting in bad faith.

41 Consequently, in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42 It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43 Accordingly, 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 the applicant.

44 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.

45 In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel* v *OHIM* [2004] ECR I-5089, paragraph 48).

46 Equally, the fact that a third party has long used a sign for an identical or similar product capable of being confused with the mark applied for and that that sign enjoys some degree of legal protection is one of the factors relevant to the determination of whether the applicant was acting in bad faith.

47 In such a case, the applicant's sole aim in taking advantage of the rights conferred by the Community trade mark might be to compete unfairly with a competitor who is using a sign which, because of characteristics of its own, has by that time obtained some degree of legal protection.

48 That said, it cannot however be excluded that even in such circumstances, and in particular when several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign for which registration is sought, the applicant's registration of the sign may be in pursuit of a legitimate objective.

49 That may in particular be the case, as stated by the Advocate General in point 67 of her Opinion, where the applicant knows, when filing the application for registration, that a third party, who is a newcomer in the market, is trying to take advantage of that sign by copying its presentation, and the applicant seeks to register the sign with a view to preventing use of that presentation.

50 Moreover, as the Advocate General states in point 66 of her Opinion, the nature of the mark applied for may also be relevant to determining whether the applicant is acting in bad faith. In a case where the sign for which registration is sought consists of the entire shape and presentation of a product, the fact that the applicant is acting in bad faith might more readily be established where the competitors' freedom to choose the shape of a product and its presentation is restricted by technical or commercial factors, so that the trade mark proprietor is able to prevent his competitors not merely from using an identical or similar sign, but also from marketing comparable products.

51 Furthermore, in order to determine whether the applicant is acting in bad faith, consideration may be given to the extent of the reputation enjoyed by a sign at the time when the application for its registration as a Community trade mark is filed.

52 The extent of that reputation might justify the applicant's interest in ensuring a wider legal protection for his sign.

53 Having regard to all the foregoing, the answer to the questions referred is that, in order to determine whether the applicant is acting in bad faith within the meaning of Article 51(1)(b) of Regulation No 40/94, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trade mark, 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; and

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

Costs

54 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (First Chamber) hereby rules:

In order to determine whether the applicant is acting in bad faith within the meaning of Article 51(1)(b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trade mark, 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; and**

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

[Signatures]