

Bad faith and trademarks: an evolving relationship

Almost a year ago, with the article "A volte ritornano" (transl. "Sometimes they come back") we focused on the "Nehera" case, i.e. the decision-T-250/21 of 6 July 2022 handed down by the EU General Court concerning a rather famous Czechoslovakian brand in the clothing sector around the 30s' (the Italian comment to the case is available at <https://www.lexology.com/library/detail.aspx?g=69dd945d-7421-4ed9-b623-77cb8f56bcf2&filterId=c6ec0536-86f2-4e35-a34d-7a25cd164dfb>).

After a long period of non-use of the mark, the sign was filed by a certain Mr. Zdút with the intention of "bringing back to life" a mark appreciated by consumers of a bygone era. However, once the registration was completed, Nehera's heirs, clearly not happy with the "tribute" to the memory of the quite famous relative, brought an invalidity action for bad faith against Mr. Zdút which ended with a ruling by the EU Court denying the fulfilment of the requirements for declaring Mr. Zdút's bad faith.

The case law mentioned in the Zdút's decision is now enriched by a recent decision, i.e., T-366/21 of 22 March 2023, which further outlines the framework of an institution that seems to be constantly expanding.

The Coinbase case, the relevant law and the case law context

For those familiar with cryptocurrencies, the name "Coinbase" will sound familiar. It is in fact a platform created in 2012 by the homonymous American company enabling users to buy, sell and deposit digital assets.

The dispute arises because of the legal action brought by the American company Coinbase against the international trademark "coinbase" designating the EU territory, for classes 9, 35, 36, 38 and 42, and registered by the Japanese company bitFlyer Inc. In particular, the American company claimed that bitFlyer's mark had been filed for registration in bad faith (infringing article 59(1)(b) of Regulation 2017/1001) and that, at the same time, it infringed its earlier "Coinbase" trademark pursuant to article 8(1)(b) of Regulation 2017/1001.

As we already had the opportunity to recall in the comment dedicated to the "Nehera" case, the European legislator has not provided indications as to when a trademark must be considered filed in bad faith. However, over time, the jurisprudence has contributed to filling this gap by providing some guidelines, namely:

1. The concept of bad faith is related to the owner's intention;
2. Although the owner's intention is a requirement of a subjective nature, the factual circumstances must be determined objectively in order to establish the bad faith (e.g. the fact that the applicant knows or must know that a third party is using in another EU member country an identical or similar sign for an identical or similar product capable of being confused with the sign for which the registration is sought; the applicant's intention to prevent that third party from continuing to use such a sign; and the level of legal protection enjoyed by the signs at issue). Furthermore, it must be borne in mind the fact that proving bad faith does not require to prove the existence of a likelihood of confusion as well;

3. The relevant public for establishing reputation and unfair advantage is the average consumer of the contested mark;
4. The good faith of the owner of the disputed trademark is presumed and therefore it is up to whoever intends to obtain the declaration of invalidity to prove the state of bad faith.

In addition to the foregoing, with the Coinbase case, the issue of bad faith has once again engaged the EU Court which has provided further guidance on the matter.

So, let's recap the facts: the American company Coinbase filed with the EUIPO an application for a declaration of invalidity against the contested mark on two grounds: (i) the risk of confusion with its prior international mark "Coinbase" designating the EU for classes 9, 36 and 42 and (ii) bad faith. Coinbase partially wins the first phase of the dispute, since the Cancellation Division upholds, on the one hand, the existence of a risk of confusion for the identical and similar products involved and claimed by the contested trademark in classes 9, 36, 38 and 42. On the other hand, with respect to the dissimilar products, the EUIPO rejects Coinbase's claim to declare the contested registration invalid due to bad faith of the applicant's company because of insufficient evidence.

The proceedings continue with the appeal stage where, with decision R 1751/2020, the Board of Appeal rejects the arguments of the American company, confirming that bitFlyer's bad faith had not been proven.

It is interesting to note that the two companies appear to be battling it out in several venues. The Singapore court, for example, has been recently called to rule on the bad faith of the "Coinbase" trademark's filing by bitFlyer Inc., (Coinbase, Inc. v bitFlyer Inc. [2023] SGIPOS 9, see <https://www.ipos.gov.sg/docs/default-source/resources-library/hearings-and-mediation/legal-decisions/2023/coinbase-v-bitflyer-2023-sgipos-9.pdf>). In this case, the court has instead considered fulfilled the legal requirements for declaring the trademark invalid for bad faith (the Japanese company was in fact operating in the same niche market as the American company, participating to the same conferences and, above all, had not been able to clearly explain how the company had come to choose the sign "Coinbase").

The highlights of the Coinbase decision

Firstly, the decision clarifies that it is not possible to "dissect" the subjective state of bad faith of the applicant by referring only to a certain group of products or services (in this case, the dissimilar ones) since, for a correct assessment, all the goods and services covered by the registration must be considered as a whole.

However, it must also be said that, in order to take its decision, the Court clearly distinguished the procedural aspects of the proceedings (identification of the scope of the appeal), from those aspects to take into account in order to adopt the correct approach to assess bad faith. In fact, on the one hand, the Court considered the reasoning of the Board of Appeal to be correct as to the part of the ruling identifying the claim (i.e., to reverse the decision issued in the first instance related to the rejection of the bad faith claim concerning the dissimilar products and services). On the other hand, the Court found that, in order to assess the applicant's bad faith, the EUIPO should have embraced, in equal measure, both dissimilar and similar products and services. In this last regard, the Board of Appeal's reasoning was in fact considered to be vitiated by error because, although the appealed decision also referred to identical or similar products, this recall was mostly intended for the sole purpose of rejecting the appellant's arguments, thus highlighting an error of perspective of the entire analysis.

The above can be deduced directly from the ruling since, at point 50, it reads *"(...) even though the decision of the Cancellation Division had not stated expressly that bad faith had to be examined only in respect of those goods and services, the Board of Appeal chose indirectly to proceed on that basis"*. Moreover, point 52 indicates that *"Recalling that the Board of Appeal had correctly delimited the scope of the proceedings by excluding the similar goods and services, EUIPO maintains in its response that the references to the similar*

goods and services made in the contested decision were merely intended to satisfy its obligation to state reasons in order to rebut the applicant's arguments. As a result, the Board of Appeal did not seek to carry out an assessment in relation to the similar goods and services in the same way as it did in relation to the dissimilar".

Another important aspect of the decision is the reference to the principles to be applied to establish when a trademark's owner has acted in bad faith at the time of filing the trademark application. In this respect, by referring to judgment C-529/07 of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli*, the Court recalls that, among the aspects to be considered there are: (i) the fact that the applicant knows or should have known of the use (at least in an EU member state) by a third party of an identical or similar sign for identical or similar goods; (ii) the applicant's intention to prevent such third party from continuing such use; (iii) the degree of legal protection enjoyed by the earlier sign and by the registered sign. However, it will be necessary to take into account the fact that, in addition to these examples, there may well be other factors to weigh, and that the analysis to be conducted must be wide-ranging and such as to also include the origin of the sign and how it has been used; the business rationale behind the filing, as well as the chronology of events.

Conclusions

Even if it was not for the General Court to examine bitFlyer Inc.'s bad faith (as this was instead the task of the Board of Appeal), the Coinbase decision helps to better establish the time frame to focus on in order to assess the subjective state of mind of the owner of the contested trademark, as well as the range of the relevant circumstances, i.e., the time of filing the application for registration.

In this context, it will be necessary to take into account that the subjective state of the applicant must not be analysed in watertight compartments, and that a more or less evident state of bad faith with respect to a certain range of products and services similar to those bearing the earlier trademark will eventually extend to other products and services (including the dissimilar ones), thus making the trademark invalid in its entirety.