

Court of Justice EU, 12 September 2019, Koton v EUIPO



## TRADE MARK LAW

**Bad faith (article 52(1) under b) CTMR (former) when**

- one has the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin

Consequently, the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 applies where it is apparent from relevant and consistent indicia that the proprietor of an EU trade mark has filed the application for registration of that mark not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin recalled in the previous paragraph of this judgment.

**No requirement that earlier trade mark is registered for the same of similar goods or services**

- In that regard, the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 is fundamentally different from the relative ground for invalidity referred to in Article 53(1)(a) of that regulation,

since the latter provision presupposes the existence of an earlier trade mark referred to in Article 8(2) of that regulation as well as the existence of a likelihood of confusion, within the meaning of Article 8(1)(b) of that regulation, unless that earlier mark has a reputation within the meaning of Article 8(5) of that regulation or unless Article 8(1)(a) thereof applies. As the Advocate General observed in point 27 of her Opinion, in the case of an application for a declaration of invalidity based on Article 52(1)(b) of Regulation No 207/2009, there is no requirement whatsoever that the applicant for that declaration be the proprietor of an earlier mark for identical or similar goods or services.

Where at the time of application for the contested mark, third party was using, in at least one Member State, a sign identical with, or similar to that mark, the existence of a likelihood of confusion does not have to be established

- It should be added that, in cases where it transpires that, at the time of the application for the contested mark, a third party was using, in at least one Member State, a sign identical with, or similar to, that mark, the existence of a likelihood of confusion on the part of the public need not necessarily be established in order for Article 52(1)(b) of Regulation No 207/2009 to apply.

**The existence of a likelihood of confusion is only one relevant factor among other for the existence of bad faith**

It is to be inferred from the interpretation provided by the Court in paragraph 53 of the judgment of 11 June 2009, Chocoladefabriken Lindt & Sprüngli (C-529/07, EU:C:2009:361), merely that, where it is established that use by a third party of an identical or similar sign for identical or similar goods or services existed and was capable of causing confusion, it is necessary to examine, in the context of the overall assessment of the relevant circumstances of the particular case, whether the applicant for the contested mark had knowledge of this.

- That factor is, however, only one relevant factor among others to be taken into consideration.

**Where there is an absence of any likelihood of confusion or similarity, other factual circumstances can constitute indicia establishing the bad faith of the applicant**

- For the reasons set out in paragraphs 52 to 55 of this judgment, it must be held that, in the absence of any likelihood of confusion between the sign used by a third party and the contested mark, or if there has been no use, by a third party, of a sign identical with, or similar to, the contested mark, other factual circumstances may, depending on the circumstances, constitute relevant and consistent indicia establishing the bad faith of the applicant.

Source: [curia.europa.eu](http://curia.europa.eu)

**Court of Justice EU, 4 april 2019**

(E. Regan, C. Lycourgos, E. Juhász, M. Ilešič and I. Jarukaitis)

JUDGMENT OF THE COURT (Fifth Chamber)

12 September 2019 (\*<sup>1</sup>)

(Appeal — EU trade mark — Regulation (EC) No 207/2009 — Absolute grounds for invalidity — Article 52(1)(b) — Bad faith at the time that an application for a trade mark is filed)

In Case C-104/18 P,

<sup>1</sup> Language of the case: English

APPEAL under Article 56 of the Statute of the Court of Justice of the European Union, brought on 13 February 2018,

Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ, established in Istanbul (Turkey), represented by J. Güell Serra and E. Stoyanov Edissonov, abogados, appellant,  
the other parties to the proceedings being:  
European Union Intellectual Property Office (EUIPO), represented by J. Crespo Carrillo, acting as Agent,  
defendant at first instance,

Joaquín Nadal Esteban, residing in Alcobendas (Spain), represented by J.L. Donoso Romero, abogado,  
intervener at first instance,

THE COURT (Fifth Chamber), composed of E. Regan, President of the Chamber, C. Lycourgos, E. Juhász, M. Ilesič (Rapporteur) and I. Jarukaitis, Judges,  
Advocate General: J. Kokott,

Registrar: L. Hewlett, Principal Administrator,  
having regard to the written procedure and further to the hearing on 6 December 2018, after hearing the [Opinion of the Advocate General](#) at the sitting on 4 April 2019,  
gives the following

#### Judgment

1. By its appeal, Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ seeks the setting aside of the judgment of the General Court of the European Union of 30 November 2017, *Koton Mağazacılık Tekstil Sanayi ve Ticaret v EUIPO — Nadal Esteban (STYLO & KOTON)* (T-687/16, not published, ‘*the judgment under appeal*’, EU:T:2017:853), whereby that court dismissed its action seeking annulment of the decision of the Second Board of Appeal of the European Union Intellectual Property Office (EUIPO) of 14 June 2016 (Case R 1779/2015-2), relating to invalidity proceedings between Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ and Mr Joaquín Nadal Esteban (‘*the decision at issue*’).

#### Legal context

2. Council Regulation (EC) No 207/2009 of 26 February 2009 on the [European Union] trade mark (OJ 2009 L 78, p. 1), which had repealed and replaced Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), was amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 (OJ 2015 L 341, p. 21), which entered into force on 23 March 2016. It was subsequently repealed and replaced, with effect from 1 October 2017, by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (OJ 2017 L 154, p. 1).

3. In the present case, since the application for registration of the contested mark occurred before 23 March 2016, as did, moreover, the registration decision and the application for a declaration of invalidity, the present dispute must be examined in the light of Regulation No 207/2009 in its original version.

4. Article 7 of that regulation, entitled ‘*Absolute grounds for refusal*’, provided that signs vitiated by certain defects, such as a purely descriptive nature or a lack of distinctive character, could not be registered as European Union trade marks.

5 Article 8 of that regulation, entitled ‘*Relative grounds for refusal*’, was worded as follows:

‘1. Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered:

(a) if it is identical with the earlier trade mark and the goods or services for which registration is applied for are identical with the goods or services for which the earlier trade mark is protected;

(b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark.

2. For the purposes of paragraph 1, “earlier trade marks” means:

(a) trade marks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the [European Union] trade mark, taking account, where appropriate, of the priorities claimed in respect of those trade marks:

(i) [European Union] trade marks;

(ii) trade marks registered in a Member State ...;

(iii) trade marks registered under international arrangements which have effect in a Member State;

(iv) trade marks registered under international arrangements which have effect in the [European Union];

...

5. Furthermore, upon opposition by the proprietor of an earlier trade mark within the meaning of paragraph 2, the trade mark applied for shall not be registered where it is identical with, or similar to, the earlier trade mark and is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, where, in the case of an earlier [European Union] trade mark, the trade mark has a reputation in the [European Union] and, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned and where the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.’

6. Article 52 of Regulation No 207/2009, entitled ‘*Absolute grounds for invalidity*’, stated:

‘1. A [European Union] trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings:

(a) where the [European Union] trade mark has been registered contrary to the provisions of Article 7;

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

...

3. Where the ground for invalidity exists in respect of only some of the goods or services for which the [European Union] trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.'

7. Article 53 of that regulation, entitled 'Relative grounds for invalidity', provided, in paragraph 1:

'A [European Union] trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings:

(a) where there is an earlier trade mark as referred to in Article 8(2) and the conditions set out in paragraph 1 or paragraph 5 of that Article are fulfilled;

...

8. The content of Articles 7, 8, 52 and 53 of Regulation No 207/2009, which corresponded to that of Articles 7, 8, 51 and 52 of Regulation No 40/94, was reproduced in Articles 7, 8, 59 and 60 of Regulation 2017/1001.

9. Under Article 71(1) of Regulation 2017/1001:

'Following the examination as to the allowability of the appeal, the Board of Appeal shall decide on the appeal. The Board of Appeal may either exercise any power within the competence of the department which was responsible for the decision appealed or remit the case to that department for further prosecution.'

10. Article 72 of that regulation provides:

'1. Actions may be brought before the General Court against decisions of the Boards of Appeal in relation to appeals.

...

3. The General Court shall have jurisdiction to annul or to alter the contested decision.

...

6. The Office shall take the necessary measures to comply with the judgment of the General Court or, in the event of an appeal against that judgment, the Court of Justice.'

#### Background to the dispute and the decision at issue

11. On 25 April 2011, Mr Nadal Esteban ('the intervener') filed an application with EUIPO for registration of the following sign as a European Union trade mark:



12. That registration was sought in respect of goods and services in Classes 25, 35 and 39 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 ('the Nice Agreement'). Those goods and services corresponded to the following description:

– Class 25: 'Clothing, footwear, headgear';

– Class 35: 'Advertising; business management; business administration; office functions';

– Class 39: 'Transport; packaging and storage of goods; travel arrangement'.

13. On 26 August 2011, the appellant, an undertaking which produces and offers for sale clothing, footwear and accessories, filed a notice of opposition, relying on the following earlier marks:

– the trade mark registered in Malta in respect of goods and services in Classes 25 and 35 of the Nice Agreement, reproduced below:



– the trade mark, for goods and services in Classes 18, 25 and 35 of the Nice Agreement, registered under international arrangements with effect in several Member States of the European Union, reproduced below:



14. The ground relied on in support of the opposition was that set out in Article 8(1)(b) of Regulation No 207/2009.

15. By decision of 31 October 2013, EUIPO upheld the opposition solely to the extent that the opposition related to the goods and services in Classes 25 and 35 of the Nice Agreement. However, it rejected the opposition in relation to the services of Class 39 of that agreement.

16. On 23 June 2014, that decision was confirmed by the Fourth Board of Appeal of EUIPO.

17. On 5 November 2014, the mark applied for was registered by EUIPO for the services in Class 39 which are referred to in paragraph 12 of this judgment.

18. On 5 December 2014, the appellant filed an application for a declaration that that mark was invalid on the basis of Article 52(1)(b) of Regulation No 207/2009.

19. By decision of 25 August 2015, the Cancellation Division of EUIPO rejected the application for a declaration of invalidity. It found that it had not been proved that the intervener had acted in bad faith.

20. On 4 September 2015, the appellant filed an appeal against that decision.

21. By the decision at issue, the Second Board of Appeal of EUIPO dismissed that appeal. It took the view that, notwithstanding the similarity of the signs at issue and the fact that the intervener had knowledge of the appellant's earlier marks, there could be no bad faith within the meaning of Article 52(1)(b) of Regulation No 207/2009, since there was neither identity nor similarity between the goods or services in respect of which the earlier marks had been registered, on the one hand, and the services in Class 39 of the Nice Agreement in respect of which the contested mark had been registered, on the other hand. Since the scope of the protection conferred on the appellant by the earlier marks and that of the protection conferred on the intervener by the contested mark is different, that Article 52(1)(b) could not apply, according to the Board of Appeal.

#### **The action before the General Court and the judgment under appeal**

22. By application lodged at the Registry of the General Court on 23 September 2016, the appellant sought the annulment of the decision at issue and that EUIPO be ordered to declare the registration of the contested mark invalid.

23. In support of its action, the appellant raised a single plea in law, alleging infringement of Article 52(1)(b) of Regulation No 207/2009. The appellant claimed that the Board of Appeal had been wrong to find that the goods or services covered by the marks at issue were required to be identical or similar for the purposes of applying that provision.

24. The General Court dismissed that action.

25. After recalling, in paragraphs 30 and 31 of the judgment under appeal, the Court's interpretation of Article 51(1)(b) of Regulation No 40/94 in its judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361), the General Court observed, in paragraph 32 of the judgment under appeal, that the relevant factors mentioned by the Court of Justice in that judgment are only examples of factors which can be taken into account in order to decide whether the applicant for an EU trade mark may be acting in bad faith. In that regard, the General Court held that *'account may also be taken of the commercial logic underlying the filing of the application for registration of the sign as an EU trade mark and the chronology of events leading to that filing'*.

26. In paragraph 44 of the judgment under appeal, the General Court found that the Board of Appeal had merely *'applied the case-law, in particular the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361, paragraph 53), according to which bad faith on the part of the applicant for registration presupposes that a third*

*party is using an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought.'*

27. According to the findings made by the General Court in paragraphs 54 to 57 of the judgment under appeal, the factual evidence adduced by the appellant, such as the existence of an earlier business relationship between the parties and the presence of the word and figurative element 'KOTON' in the contested mark, would show at most that the intervener had knowledge of the earlier marks, but not that he had a dishonest intention. The General Court inferred from this, in paragraph 58 of that judgment, that the appellant had not, *'in any event, in any way shown that, on the date on which the application for the EU trade mark was filed, the intervener intended to prevent the [appellant] from using the earlier marks'*.

28. Lastly, in paragraph 60 of the judgment under appeal, the General Court found that, by relying on the fact that *'the contested mark was registered for services dissimilar to those designated by the earlier Maltese ... marks ... and by the [earlier] international registration ... , thus precluding any likelihood of confusion between the marks at issue'*, the Board of Appeal had been fully entitled to decide that the intervener's bad faith had not been established.

#### **Forms of order sought by the parties**

29. The appellant claims that the Court should:

- set aside the judgment under appeal;
- annul the decision at issue;
- declare the contested mark invalid, and
- order the intervener and EUIPO to pay the costs.

30. EUIPO contends that the Court should:

- grant the appeal, and
- order EUIPO and the intervener to pay the costs.

31. The intervener claims that the Court should:

- confirm the judgment under appeal, and
- order the appellant to pay the costs.

#### **The appeal**

32. In support of its appeal, the appellant relies on a single ground of appeal, alleging infringement of Article 52(1)(b) of Regulation No 207/2009.

#### **Arguments of the parties**

33. According to the appellant, the General Court erred in law by finding, in particular in paragraphs 44 and 60 of the judgment under appeal, that the existence of bad faith presupposes that the contested mark is registered for goods or services identical with, or similar to, those in respect of which an earlier mark is registered. Such a requirement for the application of the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 stems neither from that regulation nor from the case-law of the Court of Justice.

34. According to the appellant, in ruling to that effect, the General Court moreover contradicted paragraph 32 of the judgment under appeal, in which the General Court observed that the factors listed by the Court of Justice in the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361), are only examples drawn from a

number of factors which can be taken into account to establish the bad faith of an applicant for registration.

35. For its part, EUIPO also contends that the Board of Appeal and the General Court made the error of law of which the appellant complains, since their approach was based on a misunderstanding of the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361).

36. EUIPO observes that the relevant time for determining whether there is bad faith on the part of an applicant for registration is the time of filing the application for the trade mark. The Board of Appeal and the General Court thus incorrectly applied Article 52(1)(b) of Regulation No 207/2009 by focusing solely on the services in Class 39 of the Nice Agreement, in respect of which the contested mark was ultimately registered. According to EUIPO, they should have examined whether the intervener was acting in bad faith at the time of filing his application, which related to goods and services in Classes 25, 35 and 39 of the Nice Agreement.

37. EUIPO adds that, if the Board of Appeal and the General Court had properly taken into account the relevant time referred to in Article 52(1)(b) of Regulation No 207/2009, this would probably have resulted in their finding that the intervener had acted in bad faith by trying to appropriate the word and figurative element 'KOTON' displayed on the earlier marks. That finding would then have led to a declaration that the contested mark is invalid in its entirety, that is to say, for any goods and services.

38. According to EUIPO, to consider that the finding of bad faith presupposes the existence of a likelihood of confusion would moreover amount, as the appellant argued before the General Court, to misconstruing the difference between the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 and the relative ground for invalidity referred to in Article 53(1)(a) of that regulation.

39. The intervener disputes any bad faith on his part and adds that the appellant has failed to prove the contrary. The judgment under appeal is not therefore vitiated by any unlawfulness. As regards the error of law alleged by the appellant, the intervener observes that it does not make sense to assess the existence of bad faith in the absence of any likelihood of confusion.

40. The intervener states that he was never a distributor of the appellant's goods. He merely had a business relationship with the appellant as a purchaser of the goods, which he resold in Spain, of another trade mark of the appellant. The appellant unilaterally terminated that business relationship in 2006.

41. The intervener also states that, in 2004, he had registered a word and figurative mark containing the word 'KOTON' in Spain for goods in Class 25 of the Nice Agreement. Since that mark pre-dated the international registration of the appellant's trade mark, the latter mark was cancelled by a Spanish court in 2016. The appellant's appeal against that court's decision is pending.

42. Since the appellant had knowledge of that Spanish trade mark of the intervener and, until 2006, maintained relations with the intervener notwithstanding the registration of that mark in 2004, it cannot, according to the intervener, be asserted that he acted in bad faith by applying, on 25 April 2011, for registration of the contested mark.

#### Findings of the Court

43. It should be recalled at the outset that, if a concept set out in Regulation No 207/2009 is not defined by that regulation, its meaning and scope must be determined by considering its usual meaning in everyday language, whilst also taking into account the context in which it occurs and the objectives pursued by that regulation (see, to that effect, judgment of 14 March 2019, [Textilis](#), C-21/18, EU:C:2019:199, paragraph 35; see, by analogy, judgments of 22 September 2011, [Budějovický Budvar](#), C-482/09, EU:C:2011:605, paragraph 39, and of 22 March 2012, [Génesis](#), C-190/10, EU:C:2012:157, paragraph 41).

44. That applies to the concept of 'bad faith' referred to in Article 52(1)(b) of Regulation No 207/2009, in the absence of any definition of that concept by the EU legislature.

45. While, in accordance with its usual meaning in everyday language, the concept of 'bad faith' presupposes the presence of a dishonest state of mind or intention, that concept must moreover be understood in the context of trade mark law, which is that of the course of trade. In that regard, Regulations No 40/94, No 207/2009 and No 2017/1001, which were adopted successively, have the same objective, namely the establishment and functioning of the internal market (see, as regards Regulation No 207/2009, judgment of 27 June 2013, [Malaysia Dairy Industries](#), C-320/12, EU:C:2013:435, paragraph 35). The rules on the EU trade mark are aimed, in particular, at contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin (see, to that effect, judgments of 14 September 2010, [Lego Juris v OHIM](#), C-48/09 P, EU:C:2010:516, paragraph 38, and of 11 April 2019, [ÖKO-Test Verlag](#), C-690/17, EU:C:2019:317, paragraph 40).

46. Consequently, the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 applies where it is apparent from relevant and consistent indicia that the proprietor of an EU trade mark has filed the application for registration of that mark not with the aim of engaging fairly in competition but with the intention of undermining, in a manner inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for

purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin recalled in the previous paragraph of this judgment.

47. The intention of an applicant for a trade mark is a subjective factor which must, however, be determined objectively by the competent administrative or judicial authorities. Consequently, any claim of bad faith must be the subject of an overall assessment, taking into account all the factual circumstances relevant to the particular case (see, to that effect, judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#), C-529/07, EU:C:2009:361, paragraphs 37 and 42). It is only in that manner that a claim of bad faith can be assessed objectively.

48. In the case which gave rise to the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361), the Court, as it stated in paragraph 36 of that judgment, was specifically asked about the situation where, at the time of the application for the contested mark, several producers were using, on the internal market, identical or similar signs for identical or similar products, which was capable of giving rise to confusion. The referring court asked the Court to specify which factors must, where such a likelihood of confusion exists, be taken into consideration in order to assess whether the applicant for the trade mark is acting in bad faith.

49. Thus, and while the issue of the assessment of the existence of bad faith was different from that of the assessment of the existence of a likelihood of confusion, those two concepts of trade mark law being separate, the Court was asked to set out criteria to assess whether there is bad faith in a situation in which it has been established that there exists a likelihood of confusion.

50. The Court replied that, in such a case, it is necessary to consider, inter alia, whether the applicant for a trade mark knew or should have known that a third party was using, in at least one Member State, the sign capable of being confused with the sign applied for, it being possible to presume such knowledge of the applicant, inter alia, where there is general knowledge in the economic sector concerned of such use (see, to that effect, judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#), C-529/07, EU:C:2009:361, paragraphs 39 and 53).

51. It does not follow from that judgment that the existence of bad faith, within the meaning of Article 52(1)(b) of Regulation No 207/2009, may only be established in the situation, which was that which the Court was asked about, where there is use on the internal market of an identical or similar sign for identical or similar goods capable of being confused with the sign for which registration is sought.

52. There may be situations, which are unrelated to the situation which led to the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361), where the application for registration

of a trade mark is liable to be regarded as having been filed in bad faith notwithstanding the fact that, at the time of that application, there was no use by a third party on the internal market of an identical or similar sign for identical or similar goods.

53. In that regard, the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 is fundamentally different from the relative ground for invalidity referred to in Article 53(1)(a) of that regulation, since the latter provision presupposes the existence of an earlier trade mark referred to in Article 8(2) of that regulation as well as the existence of a likelihood of confusion, within the meaning of Article 8(1)(b) of that regulation, unless that earlier mark has a reputation within the meaning of Article 8(5) of that regulation or unless Article 8(1)(a) thereof applies. As the Advocate General observed [in point 27 of her Opinion](#), in the case of an application for a declaration of invalidity based on Article 52(1)(b) of Regulation No 207/2009, there is no requirement whatsoever that the applicant for that declaration be the proprietor of an earlier mark for identical or similar goods or services.

54. It should be added that, in cases where it transpires that, at the time of the application for the contested mark, a third party was using, in at least one Member State, a sign identical with, or similar to, that mark, the existence of a likelihood of confusion on the part of the public need not necessarily be established in order for Article 52(1)(b) of Regulation No 207/2009 to apply.

55. It is to be inferred from the interpretation provided by the Court in paragraph 53 of the judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#) (C-529/07, EU:C:2009:361), merely that, where it is established that use by a third party of an identical or similar sign for identical or similar goods or services existed and was capable of causing confusion, it is necessary to examine, in the context of the overall assessment of the relevant circumstances of the particular case, whether the applicant for the contested mark had knowledge of this. That factor is, however, only one relevant factor among others to be taken into consideration.

56. For the reasons set out in [paragraphs 52 to 55 of this judgment](#), it must be held that, in the absence of any likelihood of confusion between the sign used by a third party and the contested mark, or if there has been no use, by a third party, of a sign identical with, or similar to, the contested mark, other factual circumstances may, depending on the circumstances, constitute relevant and consistent indicia establishing the bad faith of the applicant.

57. It follows that, by holding, in paragraph 44 of the judgment under appeal, that ‘*bad faith on the part of the applicant for registration presupposes that a third party is using an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought*’, the General Court misread the case-law of the Court of Justice and conferred too restrictive a scope on Article 52(1)(b) of Regulation No 207/2009.

58. That error of law vitiated the General Court's reasoning, since, as is apparent from paragraph 60 of the judgment under appeal, it considered that the fact that the contested mark had been registered for services in a class of the Nice Agreement other than those in respect of which the appellant's earlier marks had been registered and used entitled the Board of Appeal to conclude that the intervener's bad faith had not been established.

59. In following that approach, the General Court did not, contrary to what the actual wording of Article 52(1)(b) of Regulation No 207/2009 and the case-law of the Court of Justice provide, take into consideration, in its overall assessment, all the relevant factual circumstances as they appeared at the time that the application was filed, whereas that point in time is decisive (judgment of 11 June 2009, [Chocoladefabriken Lindt & Sprüngli](#), C-529/07, EU:C:2009:361, paragraph 35).

60. The General Court should thus have taken account of the fact, which is not disputed and on which the appellant relies, that the intervener had sought registration of a sign comprising the stylised word 'KOTON' as an EU trade mark not only for services in Class 39 of the Nice Agreement but also for goods and services in Classes 25 and 35 of the Nice Agreement, which corresponded to those in respect of which the appellant had registered trade marks containing that stylised word.

61. Although it is apparent from Article 52(3) of Regulation No 207/2009 that the grounds for absolute invalidity referred to in paragraph 1 of that article may, depending on the circumstances, exist in respect of only some of the goods and services for which the contested mark has been registered, the fact remains that the appellant has applied for the contested mark to be declared invalid in its entirety and that that application for a declaration of invalidity should therefore be examined by assessing the intervener's intention at the time that he sought, for various goods and services, including textile products, registration of an EU trade mark containing the word and figurative element already used by the appellant for textile products.

62. Moreover, by having incorrectly characterised use of an identical or similar sign for goods and services identical with, or similar to, those for which the contested mark was ultimately registered as an essential condition for the application of Article 52(1)(b) of Regulation No 207/2009, the General Court addressed only for the sake of completeness the fact that there had been a business relationship between the intervener and the appellant and that that relationship had been terminated by the appellant. Furthermore, the General Court did not examine whether the application for a trade mark containing the stylised word 'KOTON' for goods and services in Classes 25, 35 and 39 of the Nice Agreement had a commercial logic in the light of the intervener's activities.

63. Accordingly, even though it mentioned, in paragraph 32 of the judgment under appeal, 'the

*commercial logic underlying the filing of the application for registration*' and 'the chronology of events leading to that filing' as factors which might be relevant, the General Court did not fully examine them later in its judgment.

64. It is true that the General Court considered, in paragraph 56 of the judgment under appeal, that the fact that quite a long period had elapsed between the end of that business relationship and the application for registration of the contested mark militates against the existence of bad faith on the part of the intervener.

65. However, the presence of that element of the assessment in the judgment under appeal does not suffice to warrant application of the rule that, if the grounds of a judgment of the General Court disclose an infringement of EU law but its operative part is shown to be well founded on other legal grounds, such an infringement cannot lead to the setting aside of that judgment (see, to that effect, judgment of 26 July 2017, *Czech Republic v Commission*, C-696/15 P, EU:C:2017:595, paragraph 56 and the case-law cited). The circumstance which the General Court took into account in paragraph 56 of the judgment under appeal is only one factor among others that it was necessary to take into consideration in the context of the overall assessment, with due regard to the application for the trade mark as filed by the intervener for the goods and services in Classes 25, 35 and 39 of the Nice Agreement, an assessment which the General Court did not carry out.

66. It follows from all the foregoing that the single ground of the appeal is well founded and that the judgment under appeal must be set aside.

#### **The action before the General Court**

67. It is apparent from the first paragraph of Article 61 of the Statute of the Court of Justice of the European Union that, if the appeal is well founded, the Court of Justice may itself give final judgment in the matter, where the state of the proceedings so permits.

68. In the present case, the Court has the necessary information to enable it to give final judgment on the single plea in law of the action at first instance, alleging infringement of Article 52(1)(b) of Regulation No 207/2009.

69. As was explained in paragraph 21 of this judgment, the Board of Appeal considered that, for the purposes of finding the existence of bad faith on the part of the intervener, the use of an identical or similar sign for goods and services identical with, or similar to, those for which the contested mark has been registered should have been established. On that basis, the Board of Appeal dismissed the appellant's appeal before it.

70. However, as is apparent from [paragraphs 52 to 57 of this judgment](#), such reasoning is vitiated by an error of law inasmuch as it confers too restrictive a scope on Article 52(1)(b) of Regulation No 207/2009.

71. The decision at issue must therefore be annulled.

#### **The claim that the contested mark should be declared invalid**

72. The Court having decided, pursuant to the power referred to in the first paragraph of Article 61 of the

Statute of the Court of Justice of the European Union, to annul the decision of the Board of Appeal, it is for the competent body of EUIPO, in accordance with Article 72(6) of Regulation 2017/1001, to adopt a new decision on the basis of an overall assessment which takes account of the application for registration of the contested mark as filed on 25 April 2011 for goods and services in Classes 25, 35 and 39 of the Nice Agreement, and of the circumstances duly demonstrated by the appellant as well as of those duly substantiated, in his defence against the application for a declaration of invalidity, by the intervener.

73. Consequently, the claim that the Court should declare the contested mark invalid must be rejected.

#### Costs

74. Under Article 184(2) of the Rules of Procedure of the Court of Justice, where the appeal is well founded and the Court itself gives final judgment in the case, the Court is to make a decision as to costs.

75. Under Article 138(1) of those rules, which applies to appeal proceedings by virtue of Article 184(1) thereof, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings.

76. The appellant has, in essence, been successful, since the judgment under appeal is set aside and the decision at issue is annulled. The appellant claimed that the intervener should be ordered to pay the costs.

77. EUIPO has asked that it be ordered to pay the costs, jointly with the intervener.

78. The intervener and EUIPO must therefore be ordered to pay, in equal parts, the costs incurred by the appellant both of the proceedings at first instance in Case T-687/16 and of the appeal. As is apparent from Article 190(2) of the Rules of Procedure of the General Court, costs necessarily incurred for the purpose of the proceedings before the Board of Appeal are recoverable costs.

On those grounds, the Court (Fifth Chamber) hereby:

1. Sets aside the judgment of the General Court of the European Union of 30 November 2017, *KotonMağazacılıkTekstilSanayi ve Ticaret v EUIPO — Nadal Esteban (STYLO & KOTON)* (T-687/16, EU:T:2017:853).
2. Annuls the decision of the Second Board of Appeal of the European Union Intellectual Property Office (EUIPO) of 14 June 2016 (Case R 1779/2015-2).
3. Rejects the claim that the contested mark should be declared invalid.
4. Orders Mr Joaquín Nadal Esteban and the European Union Intellectual Property Office (EUIPO) to pay, in equal parts, the costs incurred by *Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ* both of the proceedings at first instance in Case T-687/16 and of the appeal.

Delivered in open court in Luxembourg on 12 September 2019

---

**OPINION OF ADVOCATE GENERAL KOKOTT**  
delivered on 4 April 2019 (1)

Case C-104/18 P

*Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ*

v

European Union Intellectual Property Office (EUIPO)

Other party:

Joaquín Nadal Esteban

(Appeal — EU trade mark — Regulation No 207/2009 — Invalidity proceedings — Figurative mark with the word elements STYLO & KOTON — Rejection of the application for a declaration of invalidity — Bad faith)

#### I. Introduction

1. A trade mark for which an application was filed in bad faith can subsequently be declared invalid. But what constitutes bad faith and how can it be established?

2. The Court of Justice has already made some fundamental findings in this regard and the General Court has been able to examine these questions in greater depth in various cases. Nevertheless, there has still not been definitive clarification of these questions. The present appeal gives the Court an opportunity to refine its case-law.

#### II. Legal framework

3. The legal framework of the present case is provided by the Trade Mark Regulation. (2)

4. Article 52(1) of the Trade Mark Regulation (now Article 59(1) of Regulation 2017/1001) sets out the absolute grounds for invalidity:

*'An EU trade mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings:*

*(a) ...;*

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

5. Article 52(3) of the Trade Mark Regulation (now Article 59(3) of Regulation 2017/1001) provides for the possibility of partial invalidity:

*'Where the ground for invalidity exists in respect of only some of the goods or services for which the EU trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.'*

6. Article 65 of the Trade Mark Regulation (now Article 72 of Regulation 2017/1001) contains rules on judicial proceedings and their consequences:

*'1. Actions may be brought before the General Court against decisions of the Boards of Appeal in relation to appeals.*

...

*6. The Office shall take the necessary measures to comply with the judgment of the General Court or, in the event of an appeal against that judgment, the Court of Justice.'*

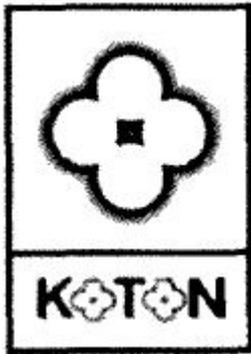
#### III. Facts and procedure to date

7. On 25 April 2011, Mr Nadal Esteban filed an application with the European Union Intellectual Property Office (EUIPO) for registration of the following trade mark for Classes 25 (Clothing, footwear, headgear), 35 (Advertising; business management; business administration; office functions) and 39 (Transport; packaging and storage of goods;

travel arrangement) 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:



8. The appellant, Koton Mağazacılık Tekstil Sanayi ve Ticaret AŞ (Koton), filed a notice of opposition to that application based on its own earlier figurative marks, which both take the following form:



9. Those trade marks had been registered inter alia for Classes 25 and 35, but not for Class 39. The opposition was successful in respect of the first two classes.

10. On the other hand, the trade mark at issue was registered on 5 November 2014 under No 9917436 for the services in Class 39.

11. On 5 December 2014, Koton filed an application for a declaration that that trade mark was invalid by reason of bad faith in accordance with Article 52(1)(b) of the Trade Mark Regulation.

12. The Cancellation Division of EUIPO rejected that application, just as the Board of Appeal dismissed the appeal filed against that decision. Finally, by the judgment under appeal of 30 November 2017, Koton Mağazacılık Tekstil Sanayi ve Ticaret v EUIPO — Nadal Esteban (STYLO & KOTON) (T-687/16, not published, EU:T:2017:853), the General Court also dismissed the action brought against the decision of the Board of Appeal.

13. All three decisions were based on the ground that Koton's trade marks do not extend to the services for which the trade mark at issue had been registered.

#### IV. Forms of order sought

14. On 13 February 2018, Koton brought the present appeal and claims that the Court should:

- (1) set aside the judgment under appeal;
- (2) annul the contested decision;
- (3) declare EU trade mark No 9917436 to be invalid; and
- (4) order Joaquín Nadal Esteban and EUIPO to pay the costs.

15. EUIPO contends that the Court should:

- (1) grant the appeal and
- (2) order EUIPO and Joaquín Nadal Esteban to pay the costs.

16. On the other hand, Joaquín Nadal Esteban claims that the Court should:

- (1) dismiss the appeal and
- (2) order Koton to pay the costs.

17. The parties submitted written observations and on 6 December 2018 presented oral argument.

#### V. Legal assessment

18. It should be stated, first of all, that the claim made by Koton for a declaration of invalidity of the trade mark at issue is inadmissible. Koton did not make that claim before the General Court and for that reason it would extend the subject matter of the proceedings. In addition, under Article 65(1) of the Trade Mark Regulation the decision of the Board of Appeal alone is the subject matter of the proceedings before the European Union courts.

19. Nevertheless, Koton and EUIPO object above all to a relatively clear departure from previous case-law in the judgment under appeal. I will consider this departure first (see under A), before examining whether the judgment under appeal could still be based on other grounds (see under B). The decision in the present appeal therefore hinges on whether a further aspect presented by EUIPO and not previously taken into account is part of the subject matter of the proceedings or was submitted out of time (see under C). Lastly, I will make some remarks regarding the action before the General Court (see under D).

#### A. The need for use for identical or similar goods or services

20. Koton complains in its single ground of appeal that in paragraphs 44 and 60 of the judgment under appeal the General Court infringed Article 52(1)(b) of the Trade Mark Regulation. EUIPO supports that submission.

21. Under Article 52(1)(b) of the Trade Mark Regulation, an EU trade mark is to be declared invalid on application to the Office where the applicant was acting in bad faith when he filed the application for the trade mark.

22. In paragraph 44 of the judgment under appeal, the General Court confirmed the Board of Appeal's view that bad faith on the part of the applicant within the meaning of Article 52(1)(b) of the Trade Mark Regulation presupposes that a third party is using an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought.

23. After rejecting further arguments made by Koton concerning whether Koton enjoys trade mark protection for similar or identical services, the General Court then ruled in paragraph 60 of the judgment under appeal that the Board of Appeal was fully entitled to conclude that Mr Nadal Esteban had not acted in bad faith when the contested mark was registered because it was registered for services dissimilar to those designated by Koton's earlier marks.

24. Although the General Court nevertheless took into account other aspects which I will examine below (under B), those two paragraphs of the judgment under appeal are vitiated by a serious error in law.

25. As the General Court itself rightly explains in paragraphs 32 and 40 of the judgment under appeal, (3) the use of an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought is just one factor which is to be taken into account in particular. (4) Correctly, in order to determine whether the applicant for registration is acting in bad faith, it is necessary to take into account 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. (5)

26. Nor can there be any objection to this case-law of the Court of Justice, as I will show in detail below on the basis of five arguments.

27. As Koton and EUIPO rightly state, first, the ground for invalidity in Article 52(1)(b) of the Trade Mark Regulation does not require that the applicant is the proprietor of a trade mark for identical or similar goods or services. Rather, anyone may, in principle, apply for a declaration of invalidity of a trade mark on grounds of bad faith.

28. The need to take into account all the relevant factors is, second, an inevitable consequence of the subjective nature of bad faith. Such a subjective factor can be determined only by reference to the objective circumstances of the particular case. (6) Accordingly, the Court has also interpreted the rules on registration of domain names in bad faith, which are related to trade mark law and, in some language versions, could actually be construed as exhaustively defining cases of bad faith, as meaning that those cases are not exhaustive. (7)

29. Third, the need to take fully into account all the relevant factors also follows from the object of the bad faith.

30. It is true that the Court — like the legislature — has not yet developed a comprehensive definition of bad faith. (8) Such caution is reasonable as it cannot really be foreseen what situations will arise and have to be assessed in the future.

31. Nevertheless, the case-law on finding abusive conduct can offer guidance in examining bad faith. (9) Such conduct is characterised by objective and subjective elements. With regard to the objective element, such a finding requires that it must be apparent from a combination of objective circumstances that, despite formal observance of the conditions laid down by EU rules, the purpose of those rules has not been achieved. With regard to the subjective element, it must be apparent from a number of objective factors that the essential aim of the transactions concerned is to obtain an undue advantage. The prohibition of abuse is not relevant where the activity carried out may have some explanation other than the mere attainment of an (undue) advantage. (10)

A comprehensive assessment of the relevant factors is thus crucial.

32. If bad faith within the meaning of Article 52(1)(b) of the Trade Mark Regulation is understood as an expression of the prohibition of abuse, the primary aim of trade mark protection and the possibly undue advantage are to be determined having particular regard to the essential function of the trade mark. That function is to guarantee the identity of origin of the goods or services concerned to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. (11)

33. Accordingly, the Court has ruled that an application for registration of a trade mark which does not aim to use that mark in accordance with its essential function can be in bad faith. (12) Bad faith may be present in particular where the applicant does not intend at all to use the mark as such, (13) but also where he intends to use the mark to mislead consumers over the origin of goods or services.

34. Fourth, it is easy to conceive of other variants of bad faith which do not require any overlap with an already existing application. One thinks of an application for registration of a trade mark filed by a person who applies for a trade mark with the sole aim of preventing an imminent trade mark application by others (*‘trade mark squatting’*). (14)

35. In addition, fifth, the Court has already recognised the possibility of an application for registration of a trade mark in bad faith by which the applicant wishes to establish a basis for acquiring a descriptive domain name. (15) It was irrelevant in this regard to what extent applications for trade marks had already been filed for identical or similar goods or services.

36. It is not therefore essential for recognition of bad faith that a third party is using an identical or similar sign for an identical or similar product or service capable of being confused with the sign for which registration is sought.

37. This finding would also not be called into question if bad faith were not dependent, like abuse, on a misuse of purpose and an undue advantage but, as Advocate General Sharpston has suggested, constitutes a departure from accepted principles of ethical behaviour or honest commercial and business practices. (16) All the relevant factors would also have to be taken into account in respect of this question.

#### **B. The actual examination by the General Court**

38. It does not necessarily follow from the finding of the abovementioned error in law, however, that the judgment under appeal should be set aside as, notwithstanding its statement in paragraphs 44 and 60 of the judgment under appeal, the General Court took other factors into account.

39. In paragraphs 54 to 57 of the judgment under appeal, the General Court mentions that a few years earlier Mr Nadal Esteban had a business relationship with Koton and must therefore have had knowledge of its marks and the fact that Mr Nadal Esteban filed a notice of opposition against the registration of one of

Koton's marks in Spain. However, in the view of the General Court, these were not sufficient indications to establish bad faith.

40. It can be inferred from this that, contrary to its own findings in paragraphs 44 and 60 of the judgment under appeal, the General Court did not consider the identity or similarity of the services designated to be indispensable in order to conclude bad faith.

41. The General Court therefore assessed comprehensively the arguments raised by Koton. Nevertheless, there is still a contradiction in the grounds of the judgment under appeal.

### **C. The additional factor identified by EUIPO**

42. EUIPO bases its appeal on an additional factor not taken into account by the General Court.

43. Mr Nadal Esteban had in fact originally sought to register his trade mark for identical goods and services in Classes 25 and 35. His application was refused in respect of those classes on the basis of the opposition filed by Koton. It was therefore only on account of that opposition upon the registration in respect of the goods and services claimed that there was no longer an overlap between Koton's trade marks and the trade mark at issue.

44. At the hearing Koton accepted this argument.

45. Two questions arise in this regard: first, whether this argument raised by EUIPO is actually admissible and — if it is admissible — second, what importance this factor has.

#### **1. The admissibility of the argument raised by EUIPO**

46. Koton did not expressly make the overlap of the original application with the protective scope of its earlier marks the subject of its respective pleas in law either before the General Court or in its appeal. It merely asserted that, as a former business partner, Mr Nadal Esteban must have had knowledge of its trade marks and that his trade mark was very similar to those trade marks. Furthermore, it pointed out a pending legal dispute with Mr Nadal Esteban in Spain in which he has contested one of its trade marks.

47. It is therefore doubtful whether the argument in EUIPO's response concerning the overlap of the goods and services is sufficient to make that aspect part of the subject matter of the appeal proceedings.

48. Under Article 174 of the Rules of Procedure, a response must seek to have the appeal allowed or dismissed, in whole or in part. Furthermore, in accordance with Article 176 of those Rules of Procedure, a party to the relevant case before the General Court may submit, by document separate from the response, a cross-appeal which, according to Article 178(1) and (3), second sentence, of the Rules of Procedure, must seek to have set aside, in whole or in part, the judgment under appeal on the basis of pleas in law and arguments separate from those relied on in the response. It is apparent from those provisions, read together, that the reply may not seek the annulment of the judgment under appeal on the basis of distinct and independent grounds from those raised in the appeal,

since such grounds may only be raised as part of a cross-appeal. (17)

49. If it were therefore concluded that the original overlap in the goods and services was not argued by Koton, the argument in that regard by EUIPO would have to be rejected as inadmissible.

50. However, I consider such an assessment of the argument raised by Koton to be too strict.

51. The original overlap in respect of Classes 25 and 35 was in fact part of the undisputed facts of the case from the beginning in the proceedings before the General Court and the Court of Justice. (18) The account of the facts given by the General Court takes from it, in paragraphs 3 and 8 of the judgment under appeal, at least the refused application for Class 35. (19) The General Court even relies, in paragraph 39 of the judgment under appeal, on findings made in the relevant opposition proceedings in order to establish that Koton's earlier trade marks did not extend to Class 39.

52. The parties therefore made the original overlap in the goods and services part of the subject matter of the proceedings before the General Court and the Court of Justice. Consequently, this fact must be taken into account in examining bad faith.

#### **2. The importance of the original overlap of the application with the goods and services protected for Koton's trade marks**

53. The General Court thus failed to take one factor into account in examining bad faith.

54. This factor is also relevant because it allows inferences to be drawn as to Mr Nadal Esteban's intentions when he filed the application for the trade mark at issue. Those intentions are important in assessing bad faith as, under Article 52(1)(b) of the Trade Mark Regulation, an EU trade mark must 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. (20)

55. Koton and EUIPO submit in this regard, relying on a decision of the General Court, (21) that it is not possible to divide the application for registration for the purposes of assessing bad faith such that only one part, in this case the application for registration for Classes 25 and 35, was considered to have been filed in bad faith, while the other part, the application for registration for Class 39, was not.

56. This issue is currently also being considered in a quite different case, which concerns whether the entire application was made in bad faith if and to the extent that the applicant had an intention to use the trade mark in relation to some of the specified goods or services, but no intention to use it in relation to other specified goods or services. (22) In view of the earlier practice of filing applications for trade marks for entire classes of goods and services (23) which the applicant was not even able to, let alone wished to cover comprehensively, this is a highly explosive issue.

57. The divisibility of a trade mark application filed partly in bad faith is suggested by Article 52(3) of the

Trade Mark Regulation, which provides that an EU trade mark may be declared invalid in respect of only some of the goods or services for which it was registered. (24)

58. Unlike the other grounds for invalidity, however, bad faith is not an inherent defect in the trade mark itself, but stems from the circumstances in which it was applied for. (25) Where there are defects in a trade mark, it is perfectly conceivable that these relate only to certain goods or services but do not preclude its use for other goods or services. It is far more difficult, however, to recognise an application for the grant of the exclusive right to designate certain goods or services by a certain sign as having been made in good faith where the same right is also applied for in bad faith in relation to other goods or services.

59. Furthermore, dividing an application for registration into a part filed in bad faith and a part filed in good faith would offer an incentive to apply to register trade marks for a larger set of goods and services than is justified by the actual intended uses. There would be no fear of any disadvantage for the trade mark actually being used if bad faith were discovered. The submissions made by Mr Nadal Esteban at the hearing confirm this risk. He asserts that he applied to register his trade mark for Classes 25 and 35 only because no additional fees were incurred. Had he known that if an application were filed in bad faith for those classes his application for Class 39 would be null and void, he would certainly not have taken that course of action.

60. In the present case, however, there is ultimately no need to make definitive findings on whether an application for registration can or even must be split into a part filed in bad faith and a part filed in good faith. The fact that an application was originally filed for a trade mark for goods and services in respect of which the applicant knew or should have known that identical or similar trade marks existed may in any event be an important indication that the application to register that trade mark for other goods or services was also filed in bad faith.

61. On account of this additional aspect it is now for the applicant for registration, Mr Nadal Esteban, to allay doubts whether the application was filed in good faith. It is of crucial importance in allaying these doubts whether the applicant is able to show that by filing the application he pursued a comprehensible and — at least to his knowledge — legitimate economic purpose or an ‘*economic logic*’. (26) (27)

62. The judgment under appeal does not, however, contain any indications that such economic logic was presented or assessed.

63. As a consequence, not all relevant factors for possible bad faith were taken into account in the judgment under appeal and therefore it must be set aside.

#### **D. The action before the General Court**

64. In accordance with Article 61(1) of the Statute of the Court of Justice of the European Union, the latter may, after setting aside the decision of the General

Court, either itself give final judgment in the matter, where the state of the proceedings so permits, or refer the case back to the General Court for judgment.

65. In the present case, the General Court assessed neither the fact that Mr Nadal Esteban had originally applied to register the trade mark at issue for two classes of goods or services for which Koton enjoys trade mark protection nor any submissions made by Mr Nadal Esteban regarding the economic logic of his application. This suggests that the case should be referred back to the General Court in order to complete the assessment of the facts. (28)

66. On the other hand, there is no dispute as to the application for the other two classes and Mr Nadal Esteban explained his reasons for filing the application at the hearing before the Court of Justice in particular. While Koton has doubts over that reasoning, those doubts would have been examined in detail only if the reasoning justified the application to register the trade mark. As that is not the case, it is merely a matter of the legal characterisation of those facts, for which the Court of Justice has jurisdiction. (29)

67. On the basis of the above statements, the examination of bad faith depends crucially on whether Mr Nadal Esteban is able to allay the doubts whether the application was filed in good faith by explaining his economic logic.

68. This claim is subject to strict requirements as the very fact that an applicant knows or must know that others are using an identical or similar sign as a trade mark, albeit for different goods or services, gives rise to doubts whether an application for registration was filed in good faith. Why should a person deliberately create the risk that consumers will associate his own goods or services with another supplier?

69. If, as in the case of Mr Nadal Esteban, an attempt is even knowingly made to apply to register such a sign additionally for goods or services for which others enjoy trade mark protection, those doubts become much more significant.

70. The economic logic put forward by Mr Nadal Esteban is not sufficient to allay those doubts. He relies, in essence, on his intention to offer certain services and in this connection to use bags on which the trade mark at issue already appeared, because he had received those cotton bags as packing material for specific goods. Mr Nadal Esteban’s motivation is thus limited to pure convenience. However, there is no indication of a legitimate interest in accepting the risks of his services being associated with Koton or of Koton being impaired in future activities.

71. The application for registration of the trade mark at issue must therefore be considered to have been filed in bad faith. Accordingly, the decision of the Board of Appeal must be annulled.

72. On the other hand, the claim made by Koton that the General Court should order EUIPO to declare the trade mark at issue to be invalid was inadmissible. It is not for the General Court and the Court of Justice to issue directions to EUIPO. It is for the latter under Article 65(6) of the Trade Mark Regulation to draw the

appropriate inferences from the operative part and grounds of judgments of the Community judicature. (30)

#### VI. Costs

73. Under Article 184(2) of the Rules of Procedure, where the appeal is well founded and the Court itself gives final judgment in the case, it is to make a decision as to the costs. Under Article 138(1), which applies to the procedure on appeal in accordance with Article 184(1) thereof, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Those costs include costs necessarily incurred by the parties for the purposes of the proceedings before the Board of Appeal under Article 190(2) of the Rules of Procedure of the General Court.

74. In the present case, Mr Nadal Esteban has been entirely unsuccessful in his claims.

75. Although EUIPO has been successful with its claim in the appeal proceedings, on account of its contested decisions and because it claimed before the General Court that the action should be dismissed, it also bears responsibility for the appeal becoming necessary at all. It is thus only logical that it submits that it should be ordered to bear the costs itself.

76. While Koton has been unsuccessful in its claims that the Court should declare the trade mark at issue to be invalid or order EUIPO to do so, it has been entirely successful in substance because EUIPO is nevertheless obliged to draw the appropriate inferences from the present judgment.

77. Mr Nadal Esteban and EUIPO must therefore be ordered to pay the costs incurred by Koton, whilst they should each bear their own costs.

#### VII. Conclusion

78. I therefore propose that the Court should:

- (1) Set aside the judgment of the General Court of the European Union of 30 November 2017, *Koton Mağazacılık Tekstil Sanayi ve Ticaret v EUIPO — Nadal Esteban (STYLO & KOTON)* (T-687/16, EU:T:2017:853);
- (2) Dismiss the appeal lodged by Koton Mağazacılık Tekstil Sanayi ve Ticaret as to the remainder;
- (3) Annul the decision of the Second Board of Appeal of the European Union Intellectual Property Office of 14 June 2016 (Case R 1779/2015-2);
- (4) Dismiss the action brought by Koton Mağazacılık Tekstil Sanayi ve Ticaret as to the remainder;
- (5) Order Mr Nadal Esteban and EUIPO each to bear their own costs and together, in equal parts, to pay the costs incurred by Koton Mağazacılık Tekstil Sanayi ve Ticaret in the proceedings before the Board of Appeal, the General Court and the Court of Justice.

---

(1) Original language: German.

(2) Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), as amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16

December 2015 (OJ 2015 L 341, p. 21) (replaced by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (OJ 2017 L 154, p. 1)).

(3) See also, for example, judgments of the General Court of 14 February 2012, *Peeters Landbouwmachines v OHIM — Fors MW (BIGAB)* (T-33/11, EU:T:2012:77, paragraph 20); of 13 December 2012, *pelicantravel.com v OHIM — Pelikan (Pelikan)* (T-136/11, not published, EU:T:2012:689, paragraph 26); and of 11 July 2013, *SA.PAR. v OHIM — Salini Costruttori (GRUPPO SALINI)* (T-321/10, EU:T:2013:372, paragraph 22).

(4) Judgment of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:361, paragraphs 37 and 53)*. See also judgment of 27 June 2013, *Malaysia Dairy Industries (Yakult, C-320/12, EU:C:2013:435, paragraph 36)*.

(5) Judgments of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:361, paragraph 37)*; of 3 June 2010, *Internetportal und Marketing (C-569/08, EU:C:2010:311, paragraph 42)*; and of 27 June 2013, *Malaysia Dairy Industries (Yakult, C-320/12, EU:C:2013:435, paragraph 36)*.

(6) Judgments of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:361, paragraph 42)*; of 3 June 2010, *Internetportal und Marketing (C-569/08, EU:C:2010:311, paragraph 45)*; and of 27 June 2013, *Malaysia Dairy Industries (Yakult, C-320/12, EU:C:2013:435, paragraph 36)*.

(7) Judgment of 3 June 2010, *Internetportal und Marketing (C-569/08, EU:C:2010:311, in particular paragraphs 37 to 39)*.

(8) See Opinion of Advocate General Sharpston in *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:148, points 35, 36 and 57)*.

(9) See judgment of the General Court of 7 July 2016, *Copernicus-Trademarks v EUIPO — Maquet (LUCEO)* (T-82/14, EU:T:2016:396, paragraphs 144 and 145).

(10) Judgments of 14 December 2000, *Emsland-Stärke (C-110/99, EU:C:2000:695, paragraphs 52 and 53)*; of 28 July 2016, *Kratzer (C-423/15, EU:C:2016:604, paragraphs 38 to 40)*; and of 26 February 2019, *N Luxembourg 1 and Others (C-115/16, C-118/16, C-119/16 and C-299/16, EU:C:2019:134, paragraph 124)*.

(11) Judgments of 23 May 1978, *Hoffmann-La Roche (102/77, EU:C:1978:108, paragraph 7)*; of 11 March 2003, *Ansul (C-40/01, EU:C:2003:145, paragraph 43)*; and of 31 January 2019, *Pandalis v EUIPO (C-194/17 P, EU:C:2019:80, paragraph 84)*.

(12) Judgment of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:361, paragraphs 44 and 45)*.

(13) Judgment of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli (Goldhase, C-529/07, EU:C:2009:361, paragraphs 44 and 45)*. See also

judgment of 3 June 2010, *Internetportal und Marketing* (C-569/08, EU:C:2010:311, paragraphs 46 to 48).

(14) See judgment of the General Court of 7 July 2016, *Copernicus-Trademarks v EUIPO — Maquet* (LUCEO) (T-82/14, EU:T:2016:396).

(15) Judgment of 3 June 2010, *Internetportal und Marketing* (C-569/08, EU:C:2010:311, paragraphs 46 and 47).

(16) Opinion in *Chocoladefabriken Lindt & Sprüngli* (Goldhase, C-529/07, EU:C:2009:148, point 60).

(17) Judgments of 10 November 2016, *DTS Distribuidora de Televisión Digital v Commission* (C-449/14 P, EU:C:2016:848, paragraphs 99 to 101), and of 30 May 2017, *Safa Nicu Sepahan v Council* (C-45/15 P, EU:C:2017:402, paragraph 20).

(18) With regard to Case T-687/16, see paragraphs 10 and 11 of the application by Koton, paragraphs 10 and 11 of the defence by Mr Nadal Esteban and paragraph 11 of the defence by EUIPO. In the present case, see paragraph 13 of the appeal by Koton and paragraph 1 of the response by EUIPO; Mr Nadal Esteban did not challenge this account in writing and expressly confirmed it at the hearing.

(19) It should be noted in this connection that paragraph 3 of the authoritative English version of the judgment under appeal contains a clear translation error, as it should not refer to Class 41, but to Class 39.

(20) See judgments of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli* (Goldhase, C-529/07, EU:C:2009:361, paragraph 35), and of 27 June 2013, *Malaysia Dairy Industries (Yakult)*, C-320/12, EU:C:2013:435, paragraph 36).

(21) Judgment of the General Court of 11 July 2013, *SA.PAR. v OHIM — Salini Costruttori (GRUPPO SALINI)* (T-321/10, EU:T:2013:372, paragraph 48).

(22) Case C-371/18, *Sky* (OJ 2018 C 276, p. 27).

(23) See judgment of 19 June 2012, *The Chartered Institute of Patent Attorneys* (C-307/10, EU:C:2012:361).

(24) Judgment of the High Court, Arnold J. (United Kingdom) of 6 February 2018, *Sky v Skykick* (HC-2016-001587, [2018] EWHC 155 (Ch), paragraphs 232 and 234).

(25) Opinion of Advocate General Sharpston in *Chocoladefabriken Lindt & Sprüngli* (Goldhase, C-529/07, EU:C:2009:148, point 41).

(26) See judgments of the General Court of 14 February 2012, *Peeters Landbouwmachines v OHIM — Fors MW (BIGAB)* (T-33/11, EU:T:2012:77, paragraph 26); of 8 May 2014, *Simca Europe v OHIM — PSA Peugeot Citroën (Simca)* (T-327/12, EU:T:2014:240, paragraph 39); of 9 July 2015, *CMT v OHIM — Camomilla (CAMOMILLA)* (T-100/13, not published, EU:T:2015:481, paragraphs 36 and 37); and of 5 July 2016, *Bundesverband Souvenir — Geschenke — Ehrenpreise v EUIPO — Freistaat Bayern (NEUSCHWANSTEIN)* (T-167/15, not published, EU:T:2016:391, paragraph 53).

(27) See judgments of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli* (Goldhase, C-529/07, EU:C:2009:361, paragraphs 46 to 52), and of

3 June 2010, *Internetportal und Marketing* (C-569/08, EU:C:2010:311, paragraph 47).

(28) See judgments of 21 June 2012, *IFAW Internationaler Tierschutz-Fonds v Commission* (C-135/11 P, EU:C:2012:376, paragraph 79); of 11 September 2014, *CB v Commission* (C-67/13 P, EU:C:2014:2204, paragraph 98); of 18 December 2014, *Commission v Parker-Hannifin* (C-434/13 P, EU:C:2014:2456, paragraph 100); and of 26 July 2017, *Council v Hamas* (C-79/15 P, EU:C:2017:584, paragraph 56).

(29) Judgments of 10 July 2008, *Bertelsmann and Sony Corporation of America v Impala* (C-413/06 P, EU:C:2008:392, paragraph 29); of 29 March 2011, *ThyssenKrupp Nirosta v Commission* (C-352/09 P, EU:C:2011:191, paragraph 179); and of 21 February 2013, *Seven for all mankind v Seven* (C-655/11 P, not published, EU:C:2013:94, paragraph 79).

(30) Judgment of 23 April 2002, *Campogrande v Commission* (C-62/01 P, EU:C:2002:248, paragraph 43); and judgments of the General Court of 31 January 2001, *Mitsubishi HiTec Paper Bielefeld v OHIM (Giroform)* (T-331/99, EU:T:2001:33, paragraph 33); of 11 July 2007, *El Corte Inglés v OHIM — Bolaños Sabri (PiraÑAM diseño original Juan Bolaños)* (T-443/05, EU:T:2007:219, paragraph 20); and judgment of 16 May 2017, *Metronia v EUIPO — Zitro IP (TRIPLE O NADA)* (T-159/16, not published, EU:T:2017:340, paragraph 16).