

World Trademark Review Daily

General Court applies *Lindt* in bad-faith cancellation case
European Union - Bureau DA Casalunga-Josse

Cancellation
International procedures

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In *Carrols Corp v Office for Harmonisation in the Internal Market* (OHIM) (Case T-291/09, February 1 2012), the General Court has confirmed a decision of the First Board of Appeal of OHIM in which the latter had confirmed the rejection of a cancellation action filed by Carrols Corp against the Community trademark (CTM) POLLO TROPICAL CHICKEN ON THE GRILL, owned by Giulio Gambettola:



The cancellation action was based on the following grounds:

- The existence of a likelihood of confusion in the United Kingdom, where Carrols holds registrations for two marks having priority (the word mark POLLO TROPICAL and the figurative mark depicted below), under Article 52(1)(a) of the [Community Trademark Regulation \(40/94\)](#) (now Article 53(1)(a) of the [Community Trademark Regulation \(207/2009\)](#).



- The application for registration had been made in bad faith under Article 51(1)(b) of Regulation 40/94 (now Article 52(1)(b) of Regulation 207/2009).

Regarding Article 51(1)(b), the application for a declaration of invalidity was based, among other things, on the following US figurative mark:



The First Board of Appeal concluded that the Cancellation Division had correctly rejected the application for a declaration of invalidity since:

- Carrols had not submitted sufficient proof of use of the earlier marks registered in the United Kingdom; and
- Gambettola's bad faith at the time of filing the CTM application had not been established.

In respect of the lack of use of the earlier marks, Carrols argued that there were commercial reasons for not having used the marks in the United Kingdom, as well as reasons based on its dispute with Gambettola. However, it did not provide any evidence to support its claim.

With regard to the claim of bad faith and the alleged reputation of Carrols' US mark, the court reiterated the criteria set forth in *Chocoladefabriken Lindt & Sprüngli* (Case C-529/07):

- The issue of whether an applicant is acting in bad faith, within the meaning of Article 52(1)(b) of Regulation 207/2009, must be the subject of an overall assessment, taking into account all the factors relevant to the particular case.
- 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 could arise, among other things, from general knowledge in the economic sector concerned of such use, and that knowledge could be inferred, among other things, 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.
- Nevertheless, 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. The applicant's intention at the relevant time is

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a subjective factor which must be determined by reference to the objective circumstances of the particular case.

- 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. This is in particular the case when the applicant applied for registration of a sign as a CTM without intending to use it, its sole objective being to prevent a third party from entering the market.
- In order to determine whether the applicant is acting in bad faith, consideration may be given to the extent of the well-known character enjoyed by a sign at the time when the application for its registration as a CTM is filed. The extent of that well-known character might justify the applicant's interest in ensuring a wider legal protection for its sign.

However, the court noted that the facts of the present case led the Board of Appeal to examine circumstances prior to that date, since the application for a CTM filed by Gambettola followed the registration of an identical earlier Spanish mark.

The court noted that, as correctly observed by the Cancellation Division, there was a continuity or 'commercial trajectory' uniting Gambettola's marks, which is why the date of filing of the registration application for the Spanish mark also had to be taken into consideration.

Nevertheless, it held that there was nothing in the case file to indicate that Gambettola's awareness of the US mark could be presumed, since:

- such mark was registered in a non-EU country; and
- only two months had lapsed between the time when the application for the US mark was filed on April 25 1994 and when the application for Gambettola's Spanish mark was filed on June 20 1994.

Even if the date of first use of the US mark, namely September 13 1991, were to be taken into consideration, that only constituted a period of three-and-a-half years and would, in any event, be insufficient by itself, given the mark's geographical location, to allow for a presumption that Gambettola was aware of it when he filed the Spanish trademark application. Thus, the opening of one or even several restaurants in Florida (United States) or in other countries in South America could not be regarded as being sufficient to establish awareness on the part of Gambettola of the earlier use of the US mark.

Accordingly, Carrols had not provided sufficient evidence to establish the presumption that Gambettola could not have been unaware of the existence of the prior US mark.

The court also found that the evidence provided by Carrols to establish the well-known character of its mark in the United States was insufficient. In this respect, the court stated that Carrols had "failed to provide support of its line of argument, any document demonstrating the intensity of the use and the magnitude of the investments, let alone any third-party declaration attesting to the well known character of the mark". Further, the court held that Carrols had not established, or even alleged, that there was, prior to the filing of the mark at issue, any direct or indirect relationship between the parties to the dispute which might explain Gambettola's bad faith.

The proposal for financial compensation for the transfer of the CTM made by Gambettola to Carrols, whilst considerable, did not by itself establish bad faith on the part of Gambettola at the time the mark at issue was filed.

Lastly, the court considered that the fact that the signs are identical did not establish bad faith on the part of Gambettola where there were no other relevant factors. The court thus dismissed the plea based on bad faith.

The long battle between the parties demonstrates that commercial entities based outside the European Union should protect their marks at the Community level as early as possible. It also shows that an applicant for a declaration of invalidity on the grounds of bad faith must provide significant evidence in order to succeed.

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