INTELLECTUAL PROPERTY - SWEDEN

Recent wave of decisions clarifies position on concept of bad faith

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Introduction

Following the European Court of Justice's (ECJ's) pioneering decision in *Lindt & Sprüngli* (C-529/07), the concept of bad faith as a ground for revocation of trademarks is nothing new from an EU perspective. However, Swedish case law dealing with bad-faith registrations has so far been limited and the Patent and Market Court of Appeal (PMCA) only recently addressed this issue.

This article discusses a series of recent judgments concerning the concept of bad faith in light of the established ECJ case law. The article deals only with the traditional concept of bad faith and not, for example, the issue of re-registrations made in bad faith to circumvent the use requirement, which has recently been the subject of several ECJ decisions.

Background of ECJ case law on bad faith

From the ECJ's case law, it follows that the concept of 'bad faith' is an autonomous concept of EU law which must be given a uniform interpretation. The ECJ has found that bad faith relates to a subjective motivation on the part of a trademark applicant when filing a trademark application – namely, a dishonest intention or other sinister motive. However, the fact that the applicant knows or must know that a third party has long been using, in at least one member state, an identical or similar sign for an identical or similar product capable of causing confusion with the sign for which registration is sought is not in itself sufficient to establish bad faith. Consequently, any claim of bad faith must be subject to an overall assessment, taking into account all of the circumstances relevant to the particular case.

Regarding the concept of whether an applicant 'must know' of the use by a third party of an identical or similar sign for an identical or similar product capable of being confused, the ECJ has declared that an applicant is presumed to have such knowledge if the use is general knowledge in the relevant economic sector. Further, the probability of knowledge increases where the use is longstanding (*Lindt & Sprüngli* C-529/07 [39-40]). A recent General Court judgment (*Hasbro*, T 663-19) held that once a presumption of bad faith is established, the burden turns to the defendant to provide plausible explanations of the objectives and commercial logic pursued by the application.

Three recent Swedish cases on bad faith

Given the limited Swedish case law on bad-faith issues, three judgments from the Swedish IP courts with different outcomes provide welcome guidance on the Swedish legal position. For a comprehensive understanding, this article will briefly cover all three cases to analyse the reasons for the different outcomes and explore the key takeaways from each.

'Made by Sweden' case

The first case,(1) decided by the Patent and Market Court (PMC), concerned the revocation of a third-party trademark registration of the slogan 'made by Sweden', which was used as an unregistered slogan in an extensive commercial campaign by an international car manufacturer. Referencing the decision in *Lindt*, the court considered that the mark had been registered amid the claimant's extensive marketing campaign, which had been airing for approximately 10 months. Therefore, the defendant was presumed to have had knowledge of the claimant's prior use of the slogan.

Turning to the issue of the defendant's intent, the court noted that the defendant had significantly changed its business object in connection to the registration and that it had not used the mark before or after the registration. Further, the court concluded that the intent had been solely to hinder the claimant's own use of the slogan. Thus, the court held that the application had been made in bad faith and revoked the trademark registration.

'Shotfabriken' case

In a later case(2) before the PMCA, concerning an opposition against the word mark SHOTFABRIKEN ('the shot factory'), which had been registered for restaurant services, the outcome was the opposite. After having concluded that 'shotfabriken' was included as a text element in the opponent's existing unregistered device mark and thus that the trademark SHOTFABRIKEN and the text element 'shotfabriken' were confusingly similar, the court proceeded to examine whether the applicant had known or ought to have known about the opponent's unregistered mark.

In this regard, the court noted there was a temporal connection between the use of 'shotfabriken' and the registration of the mark SHOTFABRIKEN. In line with the ECJ's decision in *Lindt*, the absence of other evidence that the applicant had or should have been aware of the use of 'shotfabriken' resulted in the court dismissing the opposition.

'Abu kass' case

The most recent bad faith case(3) from the PMCA concerned the registration of a word and a device trademark, which included the word element 'abu kass', for rice. The basis of the revocation action was the claimant's undisputed use – for more than 50 years – of the ABU KASS mark for rice products in Saudi Arabia, Kuwait and Lebanon. The court found that the registered trademarks were confusingly similar to the claimant's earlier mark, ABU KASS.

The PMCA then proceeded to the issue of whether the applicant had known about the ABU KASS mark when filing the registrations. In line with *Lindt*, the court stressed that since the claimant had not invoked any evidence on the use or extent of the knowledge of the ABU KASS mark within the relevant economic sector, such knowledge could not be presumed. The court stressed that the defendant's explanation for its registration of an identical and an almost identical device trademark as the ABU KASS mark raised some questions of credibility. However, the court found that the claimant had not showed that the applicant had had knowledge of the previous use of the ABU KASS mark. Consequently, the court dismissed the revocation action.

Comment

The PMCA's decision in the 'abu kass' case is a harsh reminder of the relatively high threshold for submitting evidence of the applicant's knowledge of an older mark. It is notable in this regard that it was common ground in the proceedings that the ABU KASS mark had been used in the referenced middle eastern countries for more than 50 years. Despite this undisputed fact and the court's questioning of the credibility of the applicant's explanation, the court still noted the absence of evidence to support the fact that there was an existing knowledge of the mark within the Swedish rice industry for knowledge of prior use to be at hand.

Further, the PMCA's decision in the 'shotfabriken' case confirms that parties must not overlook the submission of evidence to support their claim of the applicant's knowledge of prior use. As follows from *Hasbro,* parties must file evidence that is at least sufficient to tip the burden of proof over to the defendant. Further, the evidentiary threshold will not be met by relying on a mere indication of a suspicious fact (eg, a time correlation between prior use and the registration).

The PMCA's decisions can be compared with the PMC's judgment in the 'made by Sweden' case, in which the action was sustained. Compared with the 'abu kass' and 'shotfabriken' cases, the claimant in the 'made by Sweden' case had submitted extensive evidence of the extensive use of the slogan in Sweden, which was a decisive factor in respect of the applicant's actual knowledge.

These decisions illustrate the many pitfalls that claimants must navigate. It remains to be seen whether the recent trend of bad faith cases in Sweden will continue. Irrespective of this and considering the burdensome task to clear the way from opportunistic third-party filings, prudent rights holders are advised to consider their filing strategies well in advance of market entries in new jurisdictions.

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Endnotes

(1) PMT 4791–17.

(2) PMÖÄ 595–20.

(3) PMT 4855–19.
