

Counterclaim for invalidity of a trademark in court proceedings for infringement - "for" and "against"

Gegenklage auf Nichtigerklärung einer Marke im Verletzungsverfahren - „für“ und „gegen“

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Abstract — The report considers the possibility for the defendant in the claim’s proceedings for infringements of European Union mark to bring a counterclaim for declaration of invalidity of the mark. It is proposed to introduce this possibility in Bulgarian legislation as an alternative to the current method of declaring invalidity Bulgarian marks – only by starting a procedure in the Patent Office for “deletion” of a mark registration. The term “deletion” of the registration of the mark is now used in Bulgarian legislation. The current method organizes as a necessity two processes – one for deletion of the registration of the mark and other for infringements of the same mark. The latter is very often suspended until the decision of the first one become final. It is commented that introduction of the new possibility was not accepted as a legislative proposal in the new Law on marks and geographical indications, promulgated on 13.12.2019. The author finds the idea of the legislative proposal timely, modern and useful. It allows the above mention disputes to be resolved in one process and also save time. The author comments the “pros” and “cons” the legislative proposal. The author offers additional solutions to introduce this possibility in Bulgarian legislation in view of its advantages.

Zusammenfassung — In diesem Vortrag wird die Möglichkeit untersucht, ob der Beklagte im Antragsverfahren wegen Verletzung der Marke der Europäischen Union eine Gegenklage auf Erklärung der Ungültigkeit der Marke erheben kann. Es wird vorgeschlagen, diese Möglichkeit als Alternative zum derzeitigen Verfahren zur Erklärung der Nichtigkeit bulgarischer Marken in die bulgarische Gesetzgebung aufzunehmen, und zwar nur durch Einleitung eines Lösungsverfahrens beim Patentamt. Heutzutage wird der Begriff „Löschung“ der Markenregistrierung in der bulgarischen Gesetzgebung verwendet. Das derzeitige Verfahren organisiert als Notwendigkeit zwei Prozesse - einen zur Löschung der Markeneintragung und einen gegen Verletzung derselben Marke. Letzteres wird sehr oft ausgesetzt, bis die Entscheidung des ersten endgültig ist. Es wird angemerkt, dass die Einführung der neuen Möglichkeit nicht als Legislativvorschlag in das neue Gesetz über Marken und geografische Angaben aufgenommen wurde, das am 13.12.2019 in Kraft getreten ist. Der Autor findet die Idee des Legislativvorschlags zeitnah, modern und nützlich, weil dies die Beilegung der oben genannten Streitigkeiten in einem Prozess ermöglicht und spart auch Zeit. Der Autor kommentiert die „Vor- und Nachteile“ des Legislativvorschlags. Der Autor bietet zusätzliche Lösungen an, um diese Möglichkeit angesichts ihrer Vorteile in die bulgarische Gesetzgebung einzuführen.

I. NEW FACTS FOR BULGARIAN MARK LEGISLATION

In Republic of Bulgaria a new Law on Marks and Geographical Indication (LMGI) [1] was adopted. The law was promulgated in the State Gazette (SG), issue 98 of December 13, 2019 and entered into force 3 days after its promulgation¹ [2]. The law was drafted with two main objectives: “achieving compliance of national mark legislation with European Union law and with the legal protection systems of other Member States, as well as, improving the legal framework by overcoming of the existing regulatory gaps in the proceedings, speeding up the registration process and acquisition of rights, strengthening the legal protection”[3]. One legislative proposal the bill passed. This is to introduce an opportunity for the defendant in the claim proceedings for infringement of a

Bulgarian mark, to pursue his defense by means of a counterclaim – a counterclaim for a declaration of invalidity of the mark (i.e. to file a counterclaim for “deletion” of the mark registration according to the term actually used in the Bulgarian legislation).The author will consider this proposal in the report.

II. DECLARATION OF INVALIDITY OF EUROPEAN UNION MARK IN ACCORDANCE WITH EUROPEAN UNION LEGISLATION

Article 59 (“Absolute grounds for invalidity”), paragraph 1 of the Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June on the European Union Trademark (The Regulation (EU) 2017/1001) provides that:“An European Union mark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings..”[4]. Therefore, under European Union law, there are two ways to declare a European mark invalid. The first is to submit an application for a declaration of invalidity to the Office. Thus, the application for declaration of invalidity is considered by the Cancellation division, whose

¹According to Article 5, paragraph 5 of the Constitution of the Republic of Bulgaria [2] “All normative acts are published. They shall enter into force three days after their publication, unless otherwise specified therein.”

decision may be subject to appeal to the Board of Appeal² etc. The second option is to declare the invalidity of the European mark in the court proceedings - when the defendant in the infringement proceedings files a counterclaim for invalidity of the European mark. The counterclaim, according to professor Stalev, “is the claim filed by the defendant against plaintiff and which is jointed for joint consideration with the initial claim in the proceedings instituted against him” [5, p.423]. It is also important that “the court rules on both claims” [5, p.425].

According to Article 124, (d) of the Regulation (EU) 2017/1001, the European trade mark courts shall have exclusive jurisdiction for declaration of invalidity of the European Union trade mark [4, Art.124, (d)]. According to Article 123, paragraph 1 of the Regulation (EU) 2017/1001, “The Member States shall designate in their territories as limited a number as possible of national courts and tribunals of first and second instance, which shall perform the functions assigned to them by this Regulation.” [4, Art.123, Para.1]. In the Republic of Bulgaria, the designation is made in Article 111, paragraph 7 of LMGI [1]. The Sofia City Court as a court of first instance and the Sofia Court of Appeal as a court of second instance are those “which are European Union trade mark courts within the meaning of Regulation (EU) 2017/1001” [1, Art.111, Para.7].

How and within what term a counterclaim may be filed prescribes Article 211, paragraph 1 and 2 of the Civil Procedure Code (CPC) [6, Art.211, Para.1 and 2].

Consequently, the European and Bulgarian legislation give the defendant the right, in a claim for infringement of a European mark on Bulgarian territory, to file a counterclaim for the declaration of invalidity of the European Union mark. The competent court will be Sofia City Court, as a court of first instance.

III. DELETION OF REGISTRATION OF MARK ACCORDING TO BULGARIAN LEGISLATION-PROBLEMS

A. Legislation

The LMGI does not give the defendant the right to file a counterclaim for “deletion” of registration of a Bulgarian mark in the claim proceedings for infringements³. If the defendant, in the claims proceedings for infringement of a Bulgarian mark, decide to request a deletion of the mark registration (at his defense), he must file a request to the Patent Office of the Republic of Bulgaria. Therefore, two different procedures will develop.

- According to Article 125 of the LMGI, in conjunction with Article 116 of the same Law, the claims for infringements of marks rights⁴ are subject to jurisdiction of the Sofia City Court, as a court of first instance [1, Art.125]. The decision on the dispute of the Sofia City Court may be appealed to the Sofia Court of Appeal [6, Art.258, Para.1]. The decision of Sofia Court of Appeal may be appealed to the Supreme Court of Cassation on very strict grounds. [6, Art.280, Para.1 and Para.2]. As a rule also, a cassation appeal is not allowed of the

decisions on commercial cases with a claim price of up to BGN 20 000 [6, Art.280, Para.3, Item 1].

- According to Article 69, paragraph 1, item 5 of the LMGI, Dispute Chambers consider requests for deletion of registration of marks [1, Art.69, Para.1, item 5]. According to Article 76, paragraph 8 of the LMGI, decisions shall be taken by the President of the Patent Office or by a Vice – President authorized by him [1, Art.76, Para.8]. Their decisions are subject to appeal before the Administrative Court –Sofia city [1, Art.84, Para.1]. The decision of the Administrative Court – Sofia City can be appealed to the Supreme Administrative Court [7, Art.208 in conjunction with Art.217, Para.1]. His decision is final.

Actually, these two different proceedings are interconnected. They are related to one mark. The first proceedings are for protection against infringements of the rights of the mark. The second proceedings seek to delete the registration from which the rights of the mark derive.

B. Practical cases:

According to Article 229, paragraph 1, item 4 of CPC, “the court suspends the proceedings when a case is considered in the same or another court, the decision on which will be relevant for the proper resolution of the dispute” [6, Art.229, Para.1, item 4].

Here are two practical cases in this regard:

- Case 1
In the first presented case, it was requested to suspend the appellate proceedings on the claims for violation before the Sofia Court of Appeal, until the completion of the proceedings on the request for deletion of the mark in the Patent Office. It was under the action of Article 182, paragraph 1, item “g” of the Civil Procedure Code⁵ [8]. The Sofia Court of Appeal has stayed the case [9], but its ruling was overturned by The Supreme Court of Cassation. The Supreme Court of Cassation accepts (by argument of its reasons) that the suspension on the application of Article 182, paragraph 1, item “g” of the CPC (revoked) may be justified if it is based on the finding that the trial is “in the same or another court”[10].
- Case 2
In another case, the suspension of the proceedings on claims for mark infringements is requested before the Sofia City Court on the grounds of Article 229, paragraph 1, item 4 of CPC. The reason is because there are two other proceedings at the same time which were related to the case – one was before the Patent Office for revocation of the mark, and the other was court proceedings before the Sofia City Court to establish bad faith in filing the application of the mark (which in practice aims to delete the mark registration) [11]. The Sofia City Court has refused to suspend the proceedings on claims for infringements of a mark and rules with the decision on them [12]. Sofia Court of Appeal, however, (after being seized with an appeal), considers as a matter of priority the issue of suspension of the proceedings under Article 229, paragraph 1, item 4 of the CPC [11]. Sofia Court of Appeal shares the considerations of the Sofia City Court for the refusal of the first request, as “according to the provision of

²According to Art.67 of Regulation (EU) 2017/1001 [4] “Any party to proceedings adversely affected by this decision may appeal”

³As commented LMGI [1, Art.36, Art. 38, Art.69, Para. 1, item 5 etc.] uses the term “deletion”.

⁴According to Article 116, paragraph 1 of the LMGI [1] some of the claims for infringements are: 1) establishing the fact of infringement; 2) termination of the violation and/or prohibition to perform the activity, which will constitute a violation; 3) compensation for damages; 4) seizure and destruction of the property, subject of the violation, including the means and materials for its commission. For more claims see Article 116 of the LMGI [1].

⁵According to Article 182, paragraph 1, item “g” of the Civil Procedure Code (revoked) [8]: “The court suspends the proceeding when a case is heard in the same or in another court, the decision on which will be relevant to the proper resolution of the filed claim”

Article 229, paragraph 1, item 4 of CPC, the court is obliged to suspend the proceedings, when a case is heard in the same or another court, the decision of which will be relevant for the proper resolution of the dispute. On the submitted request for revocation of the registered mark due to non – use is initiated proceedings before the Patent Office, which is an administrative body and not a court, and therefore the norm of Article 229, paragraph 1 of CPC is not applicable” [11]. According to Sofia Court of Appeal, however, “the subsequent request for suspension of the dispute on the grounds of preliminary ruling on the initiated and pending before the Sofia City Court proceedings for establishing bad faith in applying for the mark for registration is well –found.”[11]. The court set out very detailed reasons, justifying the suspension the proceedings on that request. The court came to the conclusion that “in the event of court dispute for bad faith in filing the application of the mark, its resolution will be important for the successful conduct of the establishing, convicting and constitutive claims under Article 76 of the LMGI”[11]. The Sofia Court of Appeal stops the proceeding until the conclusion of the case (for establishing bad faith) in Sofia City Court with an effective decision. The Supreme Court of Cassation upheld the ruling of the Sofia Court of Appeal [13]. The final conclusion is that the decision on the pending court proceedings before the Sofia City Court “is important for correct decision on the filed claims for violation” [13].

IV. PROPOSAL TO THE LAW ON MARKS AND GEOGRAPHICAL INDICATIONS

Group of lawyers and Industrial property representatives have made the following proposal to the draft LMGI: “According to the model of Regulation (EU) 2017/1001 to create a new article 117 “a” entitled “Protection against unlawful registration of a mark in infringement proceedings..”[14]. It consist in giving the defendant opportunity, (within the time limit for reply to statement of the claim), “to bring a counterclaim with which to request the deletion of the mark” [14]. Specific texts are suggested. The proposal was made in the course of public consultation of the draft law [14].

The proposal was not adopted on the following reasons:

“According to Directive (EU) 2015/2436, the texts of which are transported by the draft law, there is no obligation for Member States to provide for such a possibility in national law.

In addition, with the inclusion of the proposed text in the draft law, there is a danger of creating a contradictory practice in assessing the genuine use of a mark and/or its distinctive character, for which the Patent Office is competent.

The proposed option applies in countries, where the cases in which claims and appeals concerning the protection of the right to a trademark are heard, are specialized in the field of intellectual property.”[14]

Without analyzing the specific texts, proposed to the Law (this is beyond the scope of the report), the author support the general idea – to include in new LMGI, the possibility for the defendant in the claim proceedings for infringement of a Bulgarian mark, to file a counterclaim for declaration of invalidity of the mark.

The idea is also presented by Association of Bulgarian Employers’ organizations [15, Item 9].

Similar proposal was received between the first and second vote [16, Item XV].

The author presents the following arguments:

A. *With regard to Directive (EU) 2015/2436*

Even assuming that Article 45 of the Directive (EU) 2015/2436 [17] does not oblige the Republic of Bulgaria to introduce such a possibility in its legislation, there is no prohibition too.

The possibility is timely, modern and useful.

In the court proceedings on claims for infringements of rights of a mark, it will be allowed to consider the issue for invalidity of the mark. From validity of that mark the rights of the claim proceedings are derived.

The main advantages can be summarized as:

- On one hand, resolving the issue of mark invalidity can be relevant to the proper resolution on infringements claims. The court will rule on the claim(s) of plaintiff and on the counterclaim of the defendant in one case.
- On the other hand, the delay, which is logical consequence, while waiting for the cases, will be avoided.

B. *With regard to contradictory practice*

The second argument in the part that “a contradictory practice may be created in assessing the genuine use of a mark and/or its distinctive character” has some basis. It is quite possible that there is contradictory practice, especially at the beginning. Even in application of European Union legislation the different interpretations of legal norms cannot be avoided⁶. [18]. However, the author means that it may consider overcoming this risk.

Some of the possible options in this direction may be:

1) *To describe in more details these institutes in LMGI and in by-laws, on its implementation.*

2) *To organize joint meetings, seminars, international forums etc, to discuss controversial issues and more difficult topics for practice.*

3) *Even it is necessary, to organize special trainings for judges. The court is constituted by highly qualified jurists, (the judges are of exceptional qualification and erudition and among the best jurists as a rule). It is unlikely that entering into these specifics and in what it is necessary to be assessed the genuine use of a mark or its distinctive character, will make it difficult for them.*

All these proposals and others can be considered towards the synchronization of practice of the problematic issues.

C. *With regard to specialized courts*

The author cannot agree with the third argument, since as stated above, the Sofia City Court and the Sofia Court of Appeal are European Union mark courts within the meaning of Regulation (EU) 2017/1001 and deal with claims for invalidity of European marks. Why should these courts not consider similar cases regarding Bulgarian marks?⁷ [20]

V. CONCLUSION

In this report, the author briefly considered the issues “for” and “against” the introduction of the counterclaim for

⁶E.g. in the Case C -561/11 of the Court of Justice [18] is made a request for preliminary ruling and Interpretation of Article 9 (1) of Council Regulation (EC))207/2009 of 26 February 2009 on the Community trade mark [19]

⁷The same argument may be derived from: 1/ the Opinion of Attorney at Law Vassil Pavlov, made in Commission on legal issues on June 19, 2019 [20] when discussing the Draft Law on Marks and Geographical Indications, 2/ the “Opinion in the Draft Law on Marks and Geographical Indication” by Association of Bulgarian Employers’ organizations, [15, Item 9]

declaration of invalidity (i.e. for deletion of registration) of a Bulgarian mark in the proceedings on claims for infringements of mark rights. The author is “for” the introduction of this counterclaim in the Bulgarian legislation.

The advantages are in greater procedural efficiency, because in one proceeding, and not necessarily in two, interrelated issues can be resolved. It is assumed also that the existing “dispute” between the parties will be finally resolved in a shorter time.

Disadvantages can be overcome by: better regulation of the problematic legal institutes, organizing meetings, symposia, international or local forums and other to discuss sensitive topics, organizing trainings for judges etc.

The author stands on the principle of clear, flexible and simplified procedures in resolving various cases or legal disputes.

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