



Reports of Cases

JUDGMENT OF THE COURT (Fifth Chamber)

12 September 2019*

(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,

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 Edisonov, 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. Ilešič (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

* Language of the case: English.

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Regulation (EC) No 207/2009 of 26 February 2009 on the [European Union] trade mark (OJ 2009 L 78, p. 1), which had repealed and replaced Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), was amended by Regulation (EU) 2015/2424 of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 It was subsequently repealed and replaced, with effect from 1 October 2017, by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union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, *Koton Mağazacılık Tekstil Sanayi 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.**

Regan

Lycourgos

Juhász

Ilešič

Jarukaitis

Delivered in open court in Luxembourg on 12 September 2019.

A. Calot Escobar
Registrar

E. Regan
President of the Fifth Chamber