

## ECJ clarifies relation between infringement procedure and invalidation counterclaim European Union - ITEM doo

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- **The ECJ issued a preliminary ruling concerning the interpretation of Article 99(1) of Council Regulation 207/2009.**
- **A counterclaim must be ruled on before dismissing an infringement action.**
- **A national court may dismiss an infringement action based on trademark invalidity, even if the decision on the counterclaim has not yet become final.**

In *Hansruedi Raimund v Michaela Aigner* (C-425/16, October 19 2017) the European Court of Justice (ECJ) issued a preliminary ruling concerning the interpretation of Article 99(1) of Council Regulation 207/2009 on an EU trademark. It stated that an infringement action brought before a national court may not be dismissed due to trademark invalidity based on absolute grounds without that court having upheld the invalidation counterclaim brought by the defendant in that infringement action and based on the same invalidity grounds. The ECJ further ruled that a national court may dismiss an infringement action based on trademark invalidity even if the decision on the invalidity counterclaim had not yet become final (*res iudicata*).

The request for a preliminary ruling was submitted by the Supreme Court of Austria after a dispute arose between two traders, both selling finished herbal mixtures for the production of high-proof alcohol.

Mr Raimund, the proprietor of the EU word mark BAUCHERLWÄRMER, filed an infringement action against Ms Aigner, claiming that she had infringed his trademark by selling a nearly identical product under the same name – *Baucherlwärmer*. Aigner disputed Raimund's allegations and argued that Raimund had obtained his trademark in bad faith and contrary to fair practice. Further, Aigner filed a counterclaim before the same court for a declaration of invalidity of Raimund's trademark, based on the same ground of bad faith.

The Commercial Court of Vienna stayed the counterclaim proceedings until a final judgment was reached in the main infringement proceedings. On May 17 2015 the infringement action was dismissed and the court held that Raimund had acted in bad faith when applying for registration of his trademark.

On October 5 2015 the Higher Regional Court of Vienna upheld the decision. However, the court overturned the decision on the stay of the counterclaim proceedings.

Raimund then filed an appeal with the Supreme Court of Austria against the judgment on the dismissal of infringement action, arguing that the court should not have ruled on the plea of bad faith in the infringement proceedings until the final decision was issued on the invalidation counterclaim based on bad faith.

The Supreme Court considered several possible interpretations of Article 99(1) of Council Regulation 207/2009, which states that "the EU trade mark courts shall treat the EU trade mark as valid unless its validity is put in issue by the defendant with a counterclaim for revocation or for a declaration of invalidity". It stayed the proceedings and referred the following two questions to the ECJ for a preliminary ruling:

- Can an action for infringement of an EU trademark be dismissed on the ground of an objection that the trademark application was filed in bad faith if, despite the defendant having brought a well-founded counterclaim for a declaration of invalidity of the EU trademark, the court had not yet ruled on that counterclaim?
- If not, can the court dismiss an action for infringement on the ground of an objection that the trademark application was filed in bad faith if the court at least simultaneously upholds the counterclaim for a declaration on invalidity; or, must the court delay the decision on the action for infringement in any event until the decision on the counterclaim is *res iudicata*?

In its judgment the ECJ emphasised the unitary character and equal effect of the EU trademark as determined in Article 1(2) of Regulation 207/2009, which stipulates that an EU trademark can be registered, transferred or surrendered, or be the subject of a decision revoking the rights of the proprietor or declaring it invalid only with effect for the whole of the European Union. Further, declaration of the invalidity of an EU trademark may be requested before national courts solely through a counterclaim (ie, presumption of validity).

The ECJ stated that the objective of the pertinent regulation is evident – namely, to safeguard the unitary character of an EU trademark. Therefore, the decision of a national court on an invalidation counterclaim

must have an *erga omnes* effect across the European Union. On the other hand, a dismissal of an infringement action due to the existence of an absolute ground of invalidity, such as bad faith, has only *inter partes* effect and is therefore binding solely for the involved parties. However, inconsistent decisions can subsequently occur in different EU jurisdictions. The *erga omnes* characteristic of a judgment on a counterclaim thus prevails. Therefore, in the case at hand the counterclaim should have been upheld before dismissing the infringement action.

The ECJ then had to rule on when a national court may dismiss an action for infringement on absolute grounds for invalidity – in other words:

- at least simultaneously when an invalidity counterclaim is upheld; or
- after the counterclaim becomes *res iudicata* only (ie, after the appeal procedure is concluded).

The ECJ ruled that the provisions of Regulation 207/2009 do not prevent national courts from dismissing an action for infringement, even though the decision on the counterclaim for a declaration of invalidity has not become *res iudicata*. The ECJ added that conditioning the outcome of the infringement proceedings on possible appeal against the decision upholding the invalidation counterclaim would in all likelihood involve serious delays to those proceedings.

The ECJ's judgment is welcome, not only because it clarifies the relation between infringement procedure and invalidation counterclaim before national courts, but also because it favours more expeditious and subsequently more cost-effective proceedings in future cases.

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