

PEJO's toilet duck mark flushed down the drain

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Legal updates: case law analysis and intelligence

- After PEJO requested that Šampionka cease using its unregistered sign WC RAČEK, Šampionka sought the deletion of PEJO's WC RAČEK mark from the register
- Following *Lindt* and subsequent EU judgments, the Ljubljana Circuit Court found that PEJO had applied for its mark in bad faith
- The Higher Court found, among other things, that the lower court had correctly assessed the evidence pertaining to PEJO's awareness of Šampionka's use of its earlier sign

In *Šampionka doo v PEJO doo* (Case IV Pg 1626/2019, 16 February 2021, released in March 2021, and Case V Cpg 307/2021, 15 December 2021, released in February 2022), the Ljubljana Higher Court confirmed the first-instance judgment deleting from the register PEJO doo's national trademark WC RAČEK (and device) (No 201470600) on the ground that the application had not been filed in good faith. The Higher Court found, among other things, that the Circuit Court had correctly assessed the evidence pertaining to PEJO's awareness of Šampionka's use of its earlier sign.

Background

Plaintiff Šampionka has been using in commerce, since 2012 or earlier, the (unregistered) figurative sign WC RAČEK (pictured below) for liquid toilet cleaners (WC RAČEK translates as 'toilet duck'):



In 2014 PEJO applied for, and ultimately obtained, the registration of the figurative trademark WC RAČEK (depicted below) for liquid toilet cleaners in Class 3:



Although Šampionka had timely opposed the application, it was unsuccessful as bad faith is not a ground for opposition under Slovenian law. A well-known unregistered sign is recognised as a valid basis for an opposition; however, Šampionka was unable to satisfy the required standard. The trademark was thus registered in 2016.

First-instance proceedings

After PEJO sent a cease-and-desist letter to Šampionka requesting that it cease use of its (unregistered) sign, under threat of an action for infringement of the registered trademark WC RAČEK, Šampionka filed an action for the deletion of PEJO's trademark from the register under Article 119 of the then-valid Industrial Property Act, on the ground that the application had been filed in bad faith (amendments to the act came into force on 29 March 2020, moving actions for the deletion of a trademark on the ground of bad faith from Article 119 to Article 114, under "actions for the invalidation of trademarks").

The Ljubljana Circuit Court followed the guidelines set in *Lindt* and subsequent judgments of the General Court and Court of Justice of the European Union, and examined the objective circumstances of the case, including the history of the relationship between the parties and the chronology of events leading up to the filing of the contested trademark.

Firstly, the court established that, when PEJO filed the application for the contested mark (in 2014), Šampionka was using in commerce a sign which included identical wording and identical colours (white, yellow and the predominant blue), and that a duck was depicted in both signs. Thus, the signs were highly similar. As the goods in question were identical, the court concluded that the contested trademark was capable of being confused with Šampionka's sign.

Secondly, the court considered whether, in 2014, PEJO knew - or should have known - that Šampionka was using the sign WC RAČEK on the market. It noted that PEJO's owner and manager at the time of the application for the contested trademark (Edvin Pejovic) had once managed and owned a company producing liquid toilet cleaners bearing the WC RAČEK sign, which he later sold (one of the buyers was later the manager of Šampionka). The bankruptcy of that company led to legal proceedings against Pejovic due to damage done to the creditors. According to the court, the existence of numerous legal proceedings and disputes involving Pejovic and Šampionka's manager showed that the former was aware of Šampionka's use of the sign WC RAČEK on the market. This was confirmed by Pejovic's statement that he had "always been fond" of the WC RAČEK brand and was "glad" that Šampionka had not registered it as a trademark. Further, it was significant that the contested trademark was identical to an old trademark application for WC RAČEK, filed in 1993 by the first company to be named Šampionka. Thus, in 2014 PEJO was aware of Šampionka's use of WC RAČEK on the market.

Thirdly, the court considered whether PEJO had intended to prevent Šampionka from continuing to use the sign WC RAČEK on the market. Pejovic's statement that he had applied for the contested trademark because he knew that Šampionka had not registered the sign, combined with his knowledge of Šampionka's use of the sign in commerce, led the court to conclude that PEJO filed the application in bad faith. The court reasoned that PEJO clearly took advantage of the fact that WC RAČEK was not registered as a trademark, and applied for the contested trademark despite being aware of Šampionka's use of the sign, with the precise intention of preventing Šampionka from making further use of it. This, in the court's view, constituted an act contrary to accepted principles of business ethics.

The court also noted that PEJO had never used the contested trademark in commerce, which was an additional indicator of PEJO's bad faith. Although PEJO asserted that use had been planned but not realised due to the presence of Šampionka's unregistered sign on the market, the evidence submitted did not corroborate such assertion. The court thus deleted the contested trademark from the register.

Second-instance proceedings

PEJO appealed, claiming that the Higher Court should alter the lower court's judgment and reject Šampionka's action or, in the alternative, annul the judgment and send the case back to the first instance for a new procedure.

PEJO pleaded as follows:

1. Šampionka was not allowed to file the action as it did not own a registered trademark for WC RAČEK, and the sign WC RAČEK was not well known.
2. The lower court had erred in its assessment of bad faith because it did not consider whether PEJO had dishonest intentions when the contested trademark was applied for with the Slovenian Intellectual Property Office.
3. The lower court had failed to consider that PEJO could not have acted in bad faith when applying for the contested trademark, as Šampionka had abandoned an earlier attempt to register the sign WC RAČEK as a trademark in 2012. The actual and continued use of the sign WC RAČEK on the market was irrelevant in the assessment of bad faith, as Šampionka's actions showed that it had no wish to obtain a trademark registration.
4. The contested judgment was internally inconsistent as some of Pejovic's statements were found credible while others were not, and there was no explanation for such discrepancy.

Šampionka contended that the Higher Court should refuse the appeal.

The Higher Court found all pleas to be unfounded:

1. With regard to Šampionka's legal standing, the first-instance court was correct in finding that Šampionka was allowed to file the action. The fact that Šampionka was using, for identical goods, a sign to which the contested trademark was so similar that it

might cause confusion, entitled Šampionka to file the action.

2. Concerning the alleged errors in the assessment of bad faith at first instance, the Higher Court confirmed that PEJO's intention to prevent Šampionka from further using its sign was correctly deduced from all the relevant aspects of the case - in particular, from PEJO's awareness of Šampionka's use of the sign WC RAČEK on the market, combined with PEJO's knowledge of the fact that Šampionka had not registered a trademark (which PEJO obviously took advantage of). Other indicators of PEJO's bad faith were: its inability to prove its assertions that use of the contested trademark was planned; the cease-and-desist letter sent to Šampionka; and the existing disputes between the parties.
3. The first-instance court had correctly established that Šampionka's passiveness in pursuing trademark registration was irrelevant; in contrast, the actual use of the sign in commerce was crucial in the assessment of PEJO's bad faith.
4. As to the alleged discrepancy in the assessment of Pejovic's statements, the Higher Court noted that courts have a discretionary right to decide which facts are considered to be proven, based on a diligent and careful assessment of each piece of evidence separately, and of the evidence as a whole. The first-instance court's decision was both logical and well-reasoned.

Based on the above, the Higher Court refused the appeal.

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