

## IV. Unjustifiable appropriation

### *A. Introduction and scope of the consideration*

In general, unjustifiable appropriation of a socialistic brand will occur in instances in which an entity gains legally sanctioned exclusivity over such sign or a sign confusingly similar to it, without justifiable grounds. Due to the unique magnetism of these signs, instances in which a grant of exclusivity is justified should be limited to cases of clear succession of undertakings. Namely, instances in which a new post-socialist undertaking can prove that the continuity of the business goodwill of the undertaking connected to the commercial connotations of the sign justify a grant of exclusivity over it.

There are potentially many types of behaviours that may constitute an unjustifiable appropriation of these signs. Some might have occurred as early as during the process of privatisation at the outset of the market transformations of a given post-socialist country. Such behaviours should be analysed within the context of law regulating such issues as the succession of enterprises, privatisation of public assets and use of company names. This has been the case with some socialistic brands. For example, specific succession issues were raised in the case of bicycle and motorcycle brand Romet<sup>115</sup>. These fields of law have not been harmonised within the EU, and in many cases the relevant national acts have been amended numerous times since the initial wave of privatisation. Shedding light on this area would therefore require an in depth analysis of the particularities of numerous legal acts, which is not possible due to the format constraints of this thesis. Having this in mind, the corner stone of the considerations presented is trademark law, with further areas of law being evoked with an aim of highlighting other particular issues on the case to case basis. This area is the focus also due to the powerful implications arising from obtaining trademark exclusivity over signs with such unique and strong magnetism as socialistic brands.

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115 Judgement of WSA in Warsaw of 7.1.2014, VI SA/Wa 1716/13.

How powerful some of the socialistic marks can become is illustrated by the example of the Prince Polo. This chocolate waffle brand is so well known on the Polish market that its proprietors were confident in evoking this mark as a ground for invalidation of the Polish national mark of the internationally known Marco Polo clothing brand.<sup>116</sup>

pic. 7: Prince Polo then and now.



(sources: [http://41.media.tumblr.com/5ceb5a6f9f7bfd661a6ba906a39ff25b/tumblr\\_nb9zp5qOIC1tf142yo1\\_1280.jpg](http://41.media.tumblr.com/5ceb5a6f9f7bfd661a6ba906a39ff25b/tumblr_nb9zp5qOIC1tf142yo1_1280.jpg); <http://www.tabele-kalorii.pl/photo-003604/Wafelek-Prince-Polo-Classic-XXL.jpg>)

The unique magnetism of socialistic brands is territorial in its character. Thus, socialistic brands should be treated differently only within post-socialist country in which the brands' magnetism would have an effect on trade<sup>117</sup>. Naturally, particularities of the national laws will influence the level of protection these signs can be afforded.

The core of the considerations of this paper is based on the existing provisions of law. It is centred on cases involving successors of state owned companies, which highlight legal issues related to socialistic brands. At the same time, the legal provisions analysed are evaluated in terms of their potential as obstacles against unjustifiable registrations.

## B. Trademark law

### 1. Introduction

TMD sets forth grounds of trademark revocation and invalidation.<sup>118</sup> The majority of these are mandatory whilst implementation of some is voluntary.

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<sup>116</sup> Judgement of NSA of 12.7.2011, II GSK 746/10.

<sup>117</sup> "Study on..." (*supra* n. 107), p. 62.

<sup>118</sup> Art. 3, 4 TMD.

The issue of whom should have the legitimacy to raise these grounds has not been addressed in the TMD. National legislators have been given freedom in this substantive area. As a result, the following general observation might only be partially applicable to other legal systems of post-socialist countries. Until recently, in accordance to the Polish Industrial Law Act<sup>119</sup> (hereinafter: 'IPA'), anyone was able to submit information stating any grounds of refusal following the publication of a trademark application. This institution resembled a Roman law action of 'actio popularis' and required no legitimate interest.<sup>120</sup> In comparison to this, the circle of actors with legitimacy to raise grounds of invalidity was greatly limited. It was constrained to actors who were able to successfully prove their legitimate interests<sup>121</sup> and the President of the Patent Office of the Republic of Poland or the Prosecutor General in cases involving public interests.<sup>122</sup> This carried profound implications. Firstly, since the above indicated authorities were not legally obliged to act, but rather had an option of acting, there was no guarantee that they would do so, despite the fact that unlike in the majority of the trademark law systems, the Polish Patent Office was until recently obliged to examine ex officio both absolute and relative obstacles of registration. Secondly, in accordance to the Polish jurisprudence, the decisive circumstance in determining whether an actor had legitimate interest in this context was dependent on whether the trademark exclusivity in question deprived or would have deprived her of the right to use the sign.<sup>123</sup> This, combined with the necessity to bear the costs of legal proceedings, meant that instances in which these grounds were raised were limited to disputes between the competing entities. Thus in cases of successful registrations of abandoned socialistic brands, there were rarely any actors having interests in ensuring that a sign

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119 Art. 143 IPA before the 15.4.2016 amendment (Ustawa z dnia 30 czerwca 2000 r. Prawo własności przemysłowej, Dz.U. 2001 nr 49 poz. 508 with changes). This act has been amended by: Ustawa z dnia 11 września 2015 r. o zmianie ustawy – Prawo własności przemysłowej, Dz.U. 14.10.2015 poz. 1615; and Ustawa z dnia 24 lipca 2015 r. o zmianie ustawy – Prawo własności przemysłowej oraz niektórych innych ustaw, Dz.U. 31.8.2015 poz. 1266, which entered into force on the 15.4.2016 and 1.12.2015 respectfully.

120 Andrzej Szewc in Ryszard Skubisz (eds.), „System Prawa Prywatnego tom 14b Prawo własności Przemysłowej” (C·H·Beck 2012) 531, p. 29.

121 Art. 164 IPA before the recent amendments.

122 Art. 167 IPA.

123 Szpakowska-Kozłowska in Skubisz (*supra* n. 120) 1166, p. 39.

would remain outside of the exclusivity conferred by trademark law. This general observation indicates that the previously available means of combating hijacking of socialistic brands were unsatisfactory. For example, under the previously applicable law, it would have been questionable whether a non-commercial cultural entity, which had interests in a socialistic brand remaining outside of the exclusivity conferred by trademark law, would have been recognised as having legitimacy to raise these grounds.

Since the submission of this thesis the applicable Polish law has been amended. Due to the fact that the amendments have entered into force very recently it is not possible to present a comprehensive assessment of their impact on the analysed substance. However, a brief outline of these changes and a short commentary seem in order. At the core of these recent revisions is the change of the role that the Patent Office has in the trademark registration process. The relative grounds of refusal and cancellation are no longer examined *ex officio*. In cases of obstacles of double identity, risk of confusion and collisions with other moral or economical rights, the proprietor of a right or an earlier trademark is subject to a deadline of three months to raise the grounds of refusal, starting from the day of the publication of the trademark application.<sup>124</sup> The deadline in question cannot be reinstated. Another change is the inclusion of a bar from raising same grounds based on the same rights again during the action for cancellation if these were already unsuccessfully raised during the refusal proceedings.<sup>125</sup> Although these changes will most likely lead to shortening of the period needed for the grant of rights, they are also likely to have a negative impact on the quality of trademark rights granted. This will especially concern applications for signs of such complex relations as socialistic brands. The shortened period will most likely have some negative impact on the amount of actors filing for refusal actions. What is more, due to the usually complex factual circumstances concerning the socialistic brands, the concerned actors might be unable to produce the required evidence and will thus be unable to effectively raise the grounds of refusal. Finally, the bar from raising the grounds again might deter such actors from raising them at the stage of refusal, forcing them to opt instead for raising them as part of an action for the cancellation. In addition to the

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124 Art. 152<sup>17</sup>(1) IPA as amended on 15.4.2016.

125 Art. 165(1)4) IPA as amended on 15.4.2016.

above outlined changes, Polish legislator has also decided to drop the requirement to show legal interest in order to raise the grounds of cancellation.<sup>126</sup> This is a much welcomed change that makes it possible for a broader group of actors to challenge decisions in instances of unjustifiable appropriations of socialistic brands. This could for example include the above mentioned non-commercial cultural entities.

## 2. Socialistic brands as generic terms

In order to become a trademark, a sign needs to have the capacity to distinguish a given type of commodities of one enterprise from another.<sup>127</sup>

An unjustifiable appropriation of a socialistic brand will take place in instances in which such brand is a subject to a trademark right, even though it has become synonymous with a given type of commodity. Unless a significant proportion of the relevant public perceives a given socialistic brand as being capable of indicating a specific commercial origin<sup>128</sup>, these signs should be considered devoid of distinctiveness in the meaning of classical trademark doctrine, which in turn means that they should not be eligible for trademark protection.<sup>129</sup> Distinctiveness is assessed through the analysis of the sign as a whole.<sup>130</sup> Since descriptive signs may be freely used as part of complex or graphic marks<sup>131</sup> and since the majority of socialistic brands comprise of much more than mere words or phrases, many of them could not become generic even if phrases that form part of them have.

Thus, instances of ‘hijacking’ abandoned socialistic brands in which this ground could be evoked are highly limited.

The extensive use of socialistic brands during the times of socialism and their strong cultural presence today translates to a high likelihood that even fanciful word marks, such as these evoked below, could become generic.

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126 Art. 164 as amended on 15.4.2016.

127 Art. 3 TMD.

128 Case C-108/05 *Bovemij Verzekeringen v. Benelux-Merkenbureau* EU:C:2006:530, ECR 2006 I-07605, p 28.

129 Art. 4 1(b) TMD.

130 *SAT. I* (*supra* n. 19), p. 35.

131 Case C-109/97 *Windsurfing Chiemsee* EU:C:1999:230, [1999] ECR I-2779, p. 25.

Krupnik is an example of a name of a product, which has become generic primarily through its extensive use as a socialistic brand even though it predates socialism in Poland. This old Polish term originally used to designate a person who manufactures or sells grits (also a traditional Polish soup) has been used as a brand of alcoholic drink by many entities belonging to the state combine Polmos. Based on evidence which included entries from dictionaries published as early as 1966, the Supreme Administrative Court approved the decision of the Patent Office and decided that the name 'krupnik' was a generic name for an alcoholic drink based on honey and spices, both at the time of application by one of the successors of the combine in 1993 and at the time of issuing the judgement in 2015.<sup>132</sup>

However, it should be kept in mind that the distinctiveness of a sign may be re-acquired through various attempts that lead to re-establishing the associations of a sign with an undertaking.<sup>133</sup> Poland has chosen to implement a non-obligatory TMD provision in accordance to which grounds for revocation or invalidity due to lack of distinctiveness cannot be raised if the distinctive character was acquired after the date of application.<sup>134</sup> This makes evoking this ground even more difficult.

An example of how complex and difficult assessments of distinctiveness could be in cases of socialistic brand is that of the chocolate candy brand Ptasia Mleczko (literally 'bird's milk', an old Polish idiom for an 'unobtainable delicacy'). For the last nine years this word mark has been a subject of legal battles, at the centre of which lies the issue of its generic status.<sup>135</sup> The word trademark currently belongs to a successor of the original producers of the chocolate candy. As in other cases of socialistic brands, the history of the brand is full of turmoil. The company Wedel (named after the family name of the founder) was founded in 1851<sup>136</sup> and the term Ptasia Mleczko was registered as a trademarked before the Second World War. The undertaking was later nationalised, which in turn led

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132 Judgment of NSA of 14.1.2015, II GSK 1815/14.

133 *Chiemsee* (*supra* n. 131), p. 45-46.

134 Art. 3 (3) TMD.

135 Mikołaj Lech, „Po 58 Latach Wedel Odzyskuje Prawo do Nazwy "PTASIE MLECZKO"” (*Wyborcza.biz*, 10.11.2014) <[http://wyborcza.biz/Prawo/1,128894,16946756,Po\\_58\\_latach\\_Wedel\\_odzyskuje\\_prawo\\_do\\_nazwy\\_PTASIE.html](http://wyborcza.biz/Prawo/1,128894,16946756,Po_58_latach_Wedel_odzyskuje_prawo_do_nazwy_PTASIE.html)> accessed 25.6.2016.

136 Official Wedel page <<https://www.wedelpijalnie.pl/pl/o-nas/e-wede>> accessed 25.6.2016.

to the abandonment of the Ptasie Mleczko trademark in 1956. During the socialist period the name Wedel was used not as a primary brand but rather as a sub-brand of products including ‘ptasie mleczko’. The phrase Ptasie Mleczko has been re-registered in 2006.<sup>137</sup> It seems that at least in some periods the phrase was used in a generic way, particularly when these types of products were produced by many entities within a socialist production combine. The term has been used differently throughout its history, both as word mark and figurative mark. Competing companies have been offering and still offer ‘ptasie mleczko’ chocolate. Finally, many of the contemporary efforts of the current proprietor are clearly aimed at combating generic use of the brand name, including sending cease and desist letters to bloggers who use the term ‘ptasie mleczko’ without mentioning Wedel in recipe articles<sup>138</sup>. Naturally, all these changing circumstances should be taken into the account in determining how the relevant public perceives this phrase<sup>139</sup>, which as this case shows, might make such assessments particularly cumbersome. One should conclude that due to a complicated history of the socialistic brands, assessment of their distinctiveness may be extremely difficult.

pic. 8: *Ptasie Mleczko then and now.*



(sources: [http://retro.pewex.pl/uimages/services/pewex/i18n/pl\\_PL/201211/1352821770\\_by\\_Sebastian\\_500.jpg](http://retro.pewex.pl/uimages/services/pewex/i18n/pl_PL/201211/1352821770_by_Sebastian_500.jpg); <http://bi.gazeta.pl/im/16/7a/ca/z13269526Q,Jeszcze-kilka-l-at-temu-pudelko-wedlowskiego-przysm.jpg>)

137 National no. of the right 266762.

138 Artur Kawik, „Walka o „Ptasie Mleczko®” Przyczyną Kryzysu Wizerunkowego Wedla” (*Socialpress* 13.2.2012) < <http://socialpress.pl/2012/02/walka-o-ptasie-mleczko-przyczyna-kryzysu-wizerunkowego-wedla/>> accessed 25.06.201<sup>^</sup>.

139 *Chiemsee* (*supra* n. 131), p. 39.

### 3. Socialistic brands as indicators of characteristics of commodities

An unjustifiable appropriation of a socialistic brand will occur in instances in which it has become a subject of a trademark right, although it has become synonymous with certain characteristics of a given commodity.<sup>140</sup> This ground of refusal or invalidity is narrower than genericism as the sign is descriptive only with regards to certain types of goods or services.<sup>141</sup> It is enough if such sign points only to one of the characteristics of a given commodity.<sup>142</sup> It is also sufficient if it is reasonable to assume that such an association may be established in the future.<sup>143</sup> The applicability of this provision is limited to signs that may serve to designate, either directly or by reference, one of the essential characteristics of commodities in normal usage.<sup>144</sup> This greatly limits the application of these grounds to the socialistic brands as it leaves out of its scope instances in which the brand evokes connections to a country's history, culture or any other non-direct characteristics. As in the case of genericism, a sign which consist of more elements (a figurative mark for example) will not be automatically excluded from the registration as other parts of the sign might be distinctive.<sup>145</sup> In the cases of various versions of figurative marks with phrase 'Lublin Spirytus Rektyfikowany' ('rectified alcohol of Lublin', Lublin is a capital city of an eastern region of Poland), even though this phrase itself was descriptive, the signs which were in fact updated forms of a socialistic brands were declared distinctive as a whole.<sup>146</sup>

This ground was also raised in the case of the socialistic brand *Delicje* (which means 'delicacies' in Polish).<sup>147</sup> The *Delicje Szampańskie*-branded jaffa cakes were first produced in the 1976 by one of the grouped units. This unit was privatised and bought by an entity that later applied for

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140 Art. 3(1)(c) TMD.

141 Case C-265/00 *Campina Melkunie BV v Benelux* EU:C:2004:87, [2004] ECR I-01699, p. 19.

142 *Chimsee* (*supra* n. 131), p. 25; Cases c-53/01 and c-55/01 *Linde and others*, EU:C:2003:206, [2003] ECR I-03161 p. 73.

143 *Chimsee* (*supra* n. 131); T-304/06 *Reber v OHMI* [2008] EU:T:2008:268, [2008] ECR II-01927, p. 89.

144 Case C-383/99 P *Procter & Gamble* EU:C:2001:461, [2001] ECR I-06251, p. 39.

145 *Szczepanowska-Kozłowska* (*supra* n. 123), 587, 49.

146 Judgements of WSA in Warsaw: of 5.9.2014, VI SA/Wa 1995/13; of 29.5.2014 VI SA/Wa 1996/13; of 29.5.2014 VI SA/Wa 1980/13.

147 Judgement of WSA in Warsaw of 21.3.2012, VI SA/Wa 1761/06.



a word mark. The complainant in this case argued that the word *Delicje* is a generic name for a type of a jaffa cakes. She argued that until the registration of the word mark *Delicje* in 1991<sup>148</sup>, the brand for this pastry products were in fact *Delicje Szampańskie*. The court assessed that due to the time of registration the previous trademark act should apply. This meant that the ground of descriptiveness could be raised five years after the grant of the right only if the applicant was acting in bad faith. Despite the fact that the claimant failed to prove the bad faith of the registrant, the court analysed the submitted evidence, which included: a legal and linguistic opinions, an article from a 1983 pastry magazine, a socialism-era industry standard and an entry from a cooking book; and concluded that these would be not enough to prove descriptiveness. This *Delicje* case also shows that in many instances intertemporal legal provision might mandate application of particular norms from previous legal acts that can further complicate cases involving socialistic brands.

*pic. 9: Package of Delicje Szampańskie from 1976 and Delicje from 2015.*



(sources: <http://designofprl.tumblr.com/image/90461746413>; <http://www.darpolpolskis klep.com/1834-1854-thickbox/wedel-delicje-szampaskie-pomaraczowe-294g.jpg>)

#### 4. Bad faith registration

In accordance to TMD bad faith is a non-mandatory and independent<sup>149</sup> ground of revocation and invalidity<sup>150</sup>. The concept of bad faith is as an

148 National no. of the right: 070513.

149 Alexander Tsoutsanis, “Trade Mark Registration in Bad Faith” (Oxford 2010) 338, p. 20.94.

150 Art. 4 (4)(g) TMD.

autonomous concept of European Union law and thus should be interpreted identically on the entirety of the territory of the community.<sup>151</sup> However, due to the complex nature and character of this concept, which could perhaps be described as a ‘backdoor’ through which other systems of norms can be brought into trademark law, uncertainties with regard to how it should be construed prevail<sup>152</sup>.

The acknowledgment of the autonomous character of the concept of bad faith seems to confirm that it has its own meaning and is not synonymous with concepts of bad faith from other branches of law, including that from civil law. In fact, the concept of bad faith in trademark is interpreted in Polish law as a narrower one than her civil law counterpart.<sup>153</sup> Instances of registration in bad faith should not be equated with theses envisaged in other grounds of revocation and invalidation.<sup>154</sup> For example, an instance in which registrant knew that a sign applied for was generic, could not be considered a registration in bad faith. The bad faith in trademark law seems to be focused on the manner in which the registration has been made and its potential impact.<sup>155</sup>

In general, registration in bad faith takes place when an applicant files for registration knowing, or if circumstances show that he should have known, that his actions are against accepted principles of ethical behaviour or honest commercial practices and that they are aimed at gaining an undue advantage. This means that this ground is potentially applicable in cases of registrations of both signs similar to and identical with socialistic brands.

Since in majority of cases trademarks are being registered by legal persons, a question should be raised regarding the manner of assessing their behaviour. In accordance to the theory established in the Polish civil

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151 *Malaysia Diary* (*supra* n. 19), p. 29.

152 Tsoutsanis (*supra* n. 149), 92.

153 This interpretation of bad faith on the grounds of trademark law as an autonomous concept is in conformity with the prevailing opinions on the grounds of other legal systems, including German. (See: Tsoutsanis (*supra* n. 149), 187 – 188, p. 7.05 – 7.06).

154 Ewa Nowińska, Michał du Vall „Pojęcie Złej Wiary w Prawie Znaków Towarowych” in *Księga pamiątkowa z okazji 85-lecia Ochrony Własności Przemysłowej w Polsce* (Urząd Patentowy RP, 2003), 145.

155 Ryszard Skubisz, „Zgłoszenie Znaków Towarowych w Złej Wierze” in L. Ogiegło, W. Popiołek, M. Szpunar (red.) *Rozprawy prawnicze, Księga pamiątkowa Profesora Maksymiliana Pazdana* (Zakamycze 2005), 1342.

law<sup>156</sup>, since such entities act through their bodies, the key for determining bad faith is the awareness and behaviour of the members of such bodies. In many cases this proves problematic as decision making processes in enterprises often involve many such bodies. Moreover, this assessment might constitute an impenetrable maze in cases of socialistic brands, as the relevant undertakings and their bodies were subject to numerous transformations.

Neither the EUTM and TMD nor the corresponding Polish legal provisions contain a definition of bad faith. The lawmaker has purposefully regulated this substance in a general way to allow for a flexible interpretation of this term.<sup>157</sup> In assessing bad faith the subjective circumstances of a given case should be judged through reference to objective circumstances.<sup>158</sup> All the circumstances relevant to the case which pertained at the time of filing of the application should be taken into the account.<sup>159</sup>

A case concerning a figurative mark *Sks Start Łódź Rok Założenia 1953* (Sports Club Start Łódź, year of est. 1953) did not concern a per se socialistic brand, as it involved an attempt to re-register a name of a sports club. However, it highlights a rich set of circumstances the types of which are likely to occur in instances of bad faith registrations of socialistic brands. In this case concerning an attempt to register a figurative mark identical to the mark which expired as a result of a failure to pay renewal fees, the court aptly pointed out a number of circumstances, which when taken together indicated that the applicant acted in bad faith.

Firstly, the sign included the phrase ‘established in 1953’, which in court’s opinion would mean that, if the applicant was allowed to register she would benefit from suggestions to consumers that her sports club was established that year and that she is the successor of the earlier owner of the sign, when in fact the applicants club was founded only in 2005. Circumstances in which parts of the sign or the entire sign carry strong historical suggestions of the brand’s long existence are likely to suggest to the end user that the proprietor is in fact the successor of the brand. How-

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156 Judgements of the Supreme Court: of 24.10.1972, I CR 177/72, (OSNCP 10/73, p. 171); of 12.10.2007, V CSK 249/07 (OSG 2009, 4, 25).

157 Case C-529/07 *Chocoladenfabriken Lindt & Sprüngli* EU:C:2009:361, [2009] EGC I-04893, p. 74 – 75.

158 Tsoutsanis (*supra* n. 149), 131; *Chocoladenfabriken Lindt* (*supra* n. 157), p. 42.

159 *Malaysia Dairy* (*supra* n. 19), p 36; *Chocoladenfabriken Lindt* (*supra* n. 157), p. 42.

ever, as it was described, in cases of socialistic brand it is questionable if the confusion with regard of continuity of enterprises occur in all instances.

Secondly, the court observed that the applicant attempted to hijack the positive associations the brand evoked in the minds of the end users, which were a result of many years of use by another entity. This particular sports club was neither widely known in Poland, nor particularly successful. Yet the court clearly identified that the sign carried with it positive connotations in the minds of end users. This could serve as an indicator that the degree of magnetism of a sign might constitute an important factor in cases of bad faith even if it is not rooted in the quality of the commodities affixed with it.

Thirdly, the applicant admitted knowing that the mark was used to designate identical services and that the right lapsed due to unpaid fees. This shows that any factor proving the knowledge of the applicant with regard to the brand, its meaning and its current situation, might have significance in the assessment of her behaviour. With regard to the knowledge of the applicant, the CJEU also made a crucial observation that the longer an earlier mark is used the greater the likelihood that the applicant had knowledge of this earlier sign when filing for its registration.<sup>160</sup> It would thus be difficult to successfully argue that an applicant did not know of the socialistic brand if she filed for a similar or identical mark. However, a mere fact that the applicant possesses the knowledge of the use of the conflicting sign is itself insufficient to prove that she was in bad faith.<sup>161</sup>

Fourthly, the applicant previously attempted to gain exclusivity over the sign by registering an internet domain name identical to the phonetic layer of the sign. An earlier ruling issued by another court prohibited the applicant from using the name in this manner. Previous questionable conduct of the applicant should not be irrelevant when assessing whether the registration was done in bad faith.<sup>162</sup> Circumstances which occurred after the reg-

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160 *Chocoladenfabriken Lindt* (*supra* n. 157), p. 39.

161 *Malaysia* (*supra* n. 19), p. 37.

162 An example of another such circumstance might be the applicant being part of the decision making bodies of the entity which used the brand before the bad faith attempt to register it (*see* Judgment of NSA of 24.5.2007, II GSK 377/06).

istration might also be vital in accessing the applicant's behaviour at the time of filing of the application.<sup>163</sup>

In a way of summary, since the fact patterns of the disputes regarding socialistic brands are particularly complex it is vital to recognise that many varied circumstances are relevant in investigating bad faith.

In the case of Delicje branded jaffa cookies<sup>164</sup> highlighted above, the complainant submitted that the applicant was in bad faith, as at the time of registration she must have known that the word Delicje is a generic term for a type of pastries. The complainant argued that the applicant sought to unfairly appropriate the sign since she knew that other producers used the phrase.<sup>165</sup> As proof of this, an extensive set of evidence was submitted. The court observed that the applicant was a successor of an undertaking which in 1974 was the first one among the collective to offer cookies under this name and assessed the evidence as inadequate to prove that other entities used the name 'delicje' at the time of the registration. This case shows how difficult and uncertain it is to argue that the applicant acted in bad faith, even in cases with a comprehensive set of evidence. The court would have perhaps reached a different verdict had the complainant produced direct evidence showing that other entities offered 'delicje' cookies at the time of the registration. The particularities of the time period should be kept in mind. For example, it is possible that the turmoil of restructuring and privatisation that took place in the 1990s were the main reason why the applicant was the sole producer of branded cookies at the time of the registration.

Because trademark application in bad faith is an activity consisting of unjustifiable appropriation of a mark, it is naturally necessary to prove that signs are identical, or at least similar to such a degree that it is likely to mislead the public.<sup>166</sup> In the case of application for a figurative sign Hortino<sup>167</sup>, the applicant purchased one of the manufacturing units of a previously state owned frozen foods and fruit juices producer: Hortex. Hortex was a successor of the state owned company that used this brand since 1958 and possessed many corresponding trademarks, the earliest

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163 Judgement of WSA in Warszawie of 18.1.2012 r, VI SA/Wa 1850/11; Judgement of NSA of 25.11.2009, II GSK 203/09.

164 See page 49.

165 Judgement of WSA in Warsaw of 21.3.2012, VI SA/Wa 1761/06.

166 Judgements of NSA: of 25.5.2006, II GSK 66/06; of 8.1.2014, II GSK 1542/12.

167 Judgement of NSA of 24.5.2005, II GSK 63/05.

from 1961<sup>168</sup>. After taking over the unit the applicant informed the clients of the unit that she would start operating under the sign Hortino and extended a business offer to them. Afterwards she applied to register a figurative mark Hortino. The court decided that the applicant acted in bad faith, pointing out that the Hortex brand existed on the market for many years, which increased the possibility of consumers confusing it with a similarly looking and sounding Hortino. Yet again, this signals that the historical pedigree of socialistic brands and its effect on the signs' magnetism is not lost to the courts. However, it might be questioned if the court would have ruled similarly had there been no goodwill attached to Hortex.

Another socialistic brand case concerned a word and figurative mark CNOS (abbreviation of the phrase 'company of horticultural seeds and nursery') which was used by actors grouped under a single entity.<sup>169</sup> After the division, none of the newly established undertakings, including the applicant, gained exclusive rights to the brand. The court derived from this that all of the enterprises created from the group were entitled to use the shortcut CNOS as part of their names. The court rightfully concluded that applicant's actions were aimed at unjustifiable appropriation of the brand. As an entity that used to belong to the collective, she must have been aware of the implications of her actions. However, it is rather puzzling that the court so effortlessly accepted that different competing entities are using the same or confusingly similar signs for indicating the source of the same type of commodities.

*Herbapol* The case concerning an application for the trademark Herbapol Wrocław<sup>170</sup>, similarly to the previous case, highlights an issue of multiple successors of a socialistic enterprise operating under confusingly similar trademarks. The complainant was an administrator of the collective trademark. She pointed out that at the date of filing of the application, the applicant was among the group of undertakings entitled to use the collective mark which differs from the applied mark only in the lack of inclusion of the geographical name of the city of Wrocław (one of the main cities of Poland). Therefore, the applicant must have known that her behaviour was unfair. The court did not access bad

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168 National no. of the right: 43037.

169 Judgement of NSA of 4.6.2002, II SA 3867/01.

170 Judgement of WSA in Warsaw of 14.6.2013, VI Sa/Wa 101/13; Judgement of NSA of 9.1.2015 II GSK 2062/13.

faith in this case, as it rightly held that the application should be revoked on the grounds of it being confusingly similar to the collective mark. However, similar circumstances might help in assessing bad faith in other cases.

In many cases entities using the same socialistic brands had been coexisting for a substantial time before the application for a trademark was filed. It might be thus inquired how previous conduct of tolerating such use affects the assessment of bad faith. In this regard, a Dutch Supreme Court ruling in the subject of Russian socialistic brands *Moskovskaya, Na Zdorovye* and *Stolichnaya* should be evoked. The court ruled that tolerating use of a brand as such does not constitute a valid defence against claims of bad faith registration. A defence would be available only if an explicit consent has been given by the right holder and the applicant was aware of this at the time of the application<sup>171</sup>. This view seems to find approval in a ruling of the Polish Supreme Court in the substance of the right to use a business name.<sup>172</sup>

In the way of summary, bad faith is in particular dependent on three types of factors: whether the application was characterised by the intent to prevent others from using that sign, what degree of the protection of the legal sign is involved and applicants' knowledge of the use of the similar or identical sign for the similar or identical commodities.<sup>173</sup> Bad faith is an elusive ground of revocation and proving it in cases of socialistic brands is highly difficult and often requires producing evidence that is difficult to obtain. Case law shows that even in the same jurisdiction and in similar fact patterns, two courts are likely to decide differently. However, due to its flexibility and numerous case law, bad faith is perhaps the most versatile obstacle against registration of signs in cases in which commercial interests of third parties are not directly involved<sup>174</sup>. These cases could be interpreted as instances in which cultural signs are appropriated in order to extract money from other entities engaging in cultural activity to prohibit them from use of such signs. Such interpretation would broaden the group of actors with legitimacy to oppose such registrations. CJEU refers to 'nature' and 'degree of legal protection'<sup>175</sup> of the mark as circumstances

171 Judgement of the Dutch Supreme Court of 20.12.2013, 12/05013 TT/AS.

172 Judgement of the Supreme Court of 14.2.2003, IV CKN 1782/00.

173 Tsoutsanis, (*supra* n. 149), 341, p. 20.99.

174 "Study on..." (*supra* n. 107), 154, p. 3.122.

175 *Chocoladenfabriken Lindt* (*supra* n. 157), 53.

that should be taken into account. This may allow for evoking such characteristics of socialistic brands as their cultural connotations. However, it could be noted that in many instances, just as in the two bad faith cases decided by the CJEU, at the centre lies a sign used by other entities than the registrant. As it was shown in the *Delicje* case, in the ‘abandonment’ scenarios, it may be questionable whether a sign is being used in a trademark sense by any entities, be it commercial or cultural. This in turn makes it possible to argue that there is no obstacle to registration and that at least from the bad faith point of view, such signs should be free to be remonopolised.

## 5. Contrary to public policy

As it has been pointed out in the section III of this thesis, acts of misappropriation of socialistic brands’ magnetism should be considered as contrary to public policy. Groups of signs that can be revoked on this ground are not limited to signs that are themselves contrary to the public policy. It also includes signs, the use of which and the consequences of it, would be contrary to the public policy.<sup>176</sup> Unfortunately, the CJEU case law does not explicitly recognise the particular public interest that would be needed in cases of socialistic brands.<sup>177</sup> However, since each of the absolute grounds for refusal are reflecting different considerations, the type of the public policy they embody is also different<sup>178</sup>. This means that in cases of abandoned socialistic brands there is a possibility to argue that although they are primarily distinctive and unencumbered, they are cultural signs and because of this they should be kept free for everyone to use, in order to keep the trademark law competition-neutral. As in cases of other types of signs characterised by strong and unique cultural connotations it is simply contrary to apply ‘first in, first served’ principle to them<sup>179</sup>. Such an interpretation would be particularly welcome, as unlike bad faith, public policy grounds could be evoked in instances of socialistic brands being registered for other commodities than the ones they were originally used for.

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176 Szczepanowska-Kozłowska (*supra* n. 123) 605, 96.

177 “Study on...” (*supra* n. 107), 56, p. 1.41.

178 *SAT. I* (*supra* n. 19) p. 25.

179 Frankel (*supra* n. 111) p. 32.



## 6. Other grounds of refusal

There are other grounds of refusal that might be raised in order to challenge attempts to register socialistic brands as trademarks. Among them are the ones which seem particularly connected to the nature of the magnetism of the socialistic brands, namely grounds concerning signs having symbolic value and signs deceiving the public.

Poland has chosen to introduce a non-mandatory ground of refusal and invalidity of signs of high symbolic value. Polish commentators identify these symbols as evoking feelings of honour, pride, national tradition or authority of the state.<sup>180</sup> Since the times of socialism are a highly debated political and historical issue, companies offering commodities using socialistic brands tend to distance themselves from socialism itself.<sup>181</sup> Even though socialistic brands might have a specific magnetism that is derived from almost 50 years of historical use in peculiar circumstances, it would be highly contested to elevate socialistic brands to the category of symbols of high symbolic value. In sum, it is unlikely that raising these grounds would be realistically possible in cases of registration of socialistic brands.

It is also doubtful whether it would be possible to successfully argue that re-registration of socialistic brands is deceiving the public. In the light of the CJEU interpretation, this provision applies only to cases in which a sign in its content layer includes deceiving information concerning the characteristics of the commodity<sup>182</sup>, which is rarely the case with socialistic brands.

## C. Unfair competition law

Unfair competition is widely acknowledged as a potential alternative mean of governing the use of signs in trade.<sup>183</sup> This area of law could be

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180 Janusz Barta, „Przeszkody Udzielenia Prawa Ochronnego na Znak Towarowy” in Janusz Barta, Ryszard Markiewicz, Andrzej Matlak (eds) *Prawo Mediów* (Lexis-Nexis 2008), LEX no. 52747.

181 *Supra* n. 106.

182 Case C-259/04 *Emanuel* EU:C:2006:215, [2006] ECR I-03089, p 45-49. *See also* Szczepanowska-Kozłowska (*supra* n. 123) 610, p. 107-108.

183 *Inter alia see*: p. (7) TMD.

employed against torts of causing confusion and misleading the public through use of socialistic brands, misappropriation of them or any other behaviour that would fall under a general type of unfair conducts against competition. However, in the EU only selected areas of unfair competition law have been harmonised. Therefore, this area of law may very likely play a prominent role only in countries which, just as Poland, have a comprehensive set of provisions dedicated to torts of unfair conduct. In Poland this legal alternative is burdened by a narrow way in which the Polish Unfair Competition Act<sup>184</sup> (hereinafter: 'UCA') defines actors who have legitimacy to evoke these grounds, namely competitors and competition authorities.

The above-mentioned Hortex case is an example of a dispute concerning a socialistic brand decided on the grounds of unfair competition law. The Polish Supreme Court<sup>185</sup> issued a ruling in line with a previous decision of the administrative court decided on the basis of trademark law. The actions of Hortino Wrocław were characterised by bad faith and were aimed at misleading the public with regard to the origin of the products. The case of Delicje jaffa cakes was also subject to litigation on the grounds of tort of misleading the public and imitating a product.<sup>186</sup> Both of these cases show that unfair competition law can be used in a manner auxiliary and complementary to trademark law. Perhaps most importantly, unfair competition law could be employed to scrutinise use of the socialistic brands in cases in which more than one company is in position that justifies exclusivity over the same socialistic brand.

*Herbapol* Previously discussed cases of Herbapol and the CNOS reveal fallacies of the present attempts of facilitating use of the same or confusingly similar socialistic brands by many entities within one market.

The CNOS model prohibiting any singular entity from obtaining a trademark based on tolerating the use of the same sign by competing undertakings is deeply flawed<sup>187</sup>. Even if in such cases use of the signs would be contained to company names, the fact that these names are affixed on products means that they function as indicators of origins, in

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184 Art. 18 UCA (Ustawa z dnia 16 kwietnia 1993 r. o zwalczaniu nieuczciwej konkurencji, Dz.U.2003.153.1503 (unified version) with changes).

185 Judgement of the Polish Supreme Court of 10.8.2006, V CSK 237/06.

186 Judgement of the Court of Appeals in Warsaw of 6.11.2015 I ACz 1640/12.

187 *Supra* n. 169.

other words as trademarks.<sup>188</sup> Moreover, legal uncertainty created by such state entails unnecessary legal costs for both the parties and the court system. It also leads to consumer confusion and decreases incentives to invest.

The collective sign model from the Herbapol case is also deeply flawed. Here companies founded an association, which governs the use of the collective trademark. Firstly, the way in which this collective trademark is used, namely by encompassing the dominant figurative collective trademark in the signs used in business, does not limit search costs and in fact expands them. This fact is not mitigated by the inclusion of geographical names of the original unit of the socialist-era Herbapol, as the court pointed out in the Herbapol trademark case.<sup>189</sup> Secondly, consumers faced with a geographical name may very well assume that it only indicates the location of the factory from the times of socialism and conclude that all offered commodities come from the same undertaking. In instances of multiple clear succession, competing undertakings should be allowed to use such collective socialistic brand trademarks only in a manner that does not cause confusion as to the source of the commodity. Thirdly, use of socialistic brands as collective marks greatly decreases the incentive to invest in the quality of the commodities. An entitled actor will benefit from action of her competitors aimed at promoting the brand. Lastly, consequent litigation in the Herbapol Wrocław case proves that this solution does not effectively eliminate potential disputes.

The Polish legislator has recognised the need to determine which entity is entitled to the brand in multiple ‘succession scenarios’.<sup>190</sup> Art. 7 of the UCA stipulates that in a cases of disputes arising as a result of liquidation, division or transformation of an undertaking, if the question arises as to which of the entrepreneurs is entitled to use the designation of the previous undertaking, such designation should be defined in such manner as to prevent third parties from being misled. Among the factors that should be taken into the account are both interests of the parties and other circumstances of a case, including interests of the third parties. This provision shows that there are legal means of determining which entity or entities should be entitled to a socialistic brand. Limiting the possibility of gaining

188 Case C-17/06 *Celine* EU:C:2007:497, [2007] EGC I-07041, p. 21 – 22.

189 *Supra* n. 167.

190 Marian Kepiński in Janusz Szwaja (red.) „Ustawa o Zwalczaniu Nieuczciwej Konkurencji Komentarz” (3rd ed. C.H.Beck 2013), 324.

exclusivity over socialistic brands would bring life to this rarely utilised provision. Especially since commentators consider it as a failed one, pointing at the abundance of post-transformation cases concerning the rights to brands decided without its use.<sup>191</sup> A legal landscape in which this provision would be evoked more often would likely motivate undertakings, in cases akin to Herbapol, to re-think their business strategies. Entities like Herbapol could perhaps consider embracing new, distinctive names through rebranding, whilst continuing using the collective Herbapol mark in a manner that indicates that they are successors of that company. This would allow them to benefit from the cultural connotations of this brand in a justifiable manner. Otherwise, they would have to reckon with a risk of facing an unfair completion claim.

#### *D. Copyright Law*

It might be also possible to evoke copyright law in order to prevent unfair appropriations of socialistic brands.<sup>192</sup> However, it may be particularly cumbersome to find a person or an entity having rights to the underlying work and thus legitimacy to raise this ground. This is due to the time that passed since a graphical design work was created and the lack of legal culture during socialism, which often led to parties paying little heed to contracting.

#### *E. Geographical indicators*

Socialistic brands might also be protected as geographical indicators. However, this model of protection is highly unsuitable for majority of socialistic brands. Its utility would be limited to cases in which many undertakings are clear successors of a socialistic entity. A high level of cooperation between the competing entities would also be required. What is more, the possibility of obtaining protection through various geographical indicator systems is usually limited to foodstuffs, which are at least in certain degree connected to a given territory. Socialistic brand products are rarely connected to territorial characteristics. Furthermore,

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<sup>191</sup> *Ibid.*

<sup>192</sup> Art. 4 (4) (c) (iii) TMD.

they were and are used for other types of commodities than food products. Finally, the rationale of awarding protection to geographical indicators is rooted in preserving the quality of the products. As it has been indicated here before, the quality of commodities was not among the main factors shaping the magnetism of these brands.

#### F. *Sui generis* protection

A potential alternative solution is protecting socialistic brands on the ground of *sui generis* protection. This solution is by no means alien to the Polish legislator. A similar means has been employed in order to control a different set of signs with high cultural magnetism, namely: the name, likeness and the legacy of the famous Polish pianist Fryderyk Chopin.<sup>193</sup> A similar *sui generis* attempt to curb appropriation of certain vital signs was employed by the World Health Organisation with regards to non-proprietary names for pharmaceutical substances (INNs)<sup>194</sup>.

In the case of socialistic brands, this legal mean could perhaps take form of a moderated list of signs. These signs could be registered as trademarks only in exceptional circumstances, after obtaining permission from an appropriate body. However, this solution has many flaws. Due to complex historical and cultural context of socialistic brands, such list would be much harder to compile and administer than the INNs list. This would put its reliability into question. Furthermore, introducing means limiting the possibility to use trademarks already obtained by various actors, would likely be met with a strong opposition on many legal fronts.<sup>195</sup> Since both trademark rights and applications have been recognised as a fundamental right by the European Court of Human Rights<sup>196</sup> and are considered

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193 Michał Kruk, "Protection of Chopin's Heritage as a *Sui Generis* Regulation" (2010), 5 *Journal of Intellectual Property Law & Practice* 8, 608.

194 Senfileben, "Trademark law" (*supra* n. 41), 8.

195 Inter alia: Henning Grosse Ruse – Khan, "Protecting Intellectual Property Under BITs, FTAs and TRIPs: Conflicting Regimes or Mutual Coherence?" in C Brown, K Miles (Eds.), *Evolution in Investment Treaty Law and Arbitration*, (Cambridge University Press 2011).

196 *Anheuser-Busch Inc v Portugal*, *Merits*, App no 73049/01, (2007) 44 EHRR 42, IHRL 3436 (ECHR 2007). However, unlike what some of the commentators seem to be suggesting, not every measure that leads to stripping of the IP right would be precluded under the norms governing human right, as a case-by-case

investments under international investment treaties<sup>197</sup>, implementation of this solution would likely encumber governments in international litigation. What is more, one could envisage it being labelled as nationalisation or collectivisation of trademarks, which would very likely make it an even more unpopular political choice in the post-socialist countries. Lastly, the legal history of IP protection proves that creating a new branch of IP in order to solve an inadequacy on an existing branch is never an effective solution.

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careful balancing of all the fundamental rights concerned is required (see. B. Goebel, “Trademarks as fundamental rights – Europe”,<sup>99</sup> Trademark Reporter 2009, 951-952.).

- 197 B. Mercurio, “Awakening the Sleeping Giant: Intellectual Property Right in International Investment Agreement” (2012) 15 J Int Economic Law 3, 874.