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Supreme Court recognises Modelo's right to register and use CONTINENTE mark

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Intellectual Property, Spain

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On 8 May 2019 the Supreme Court declared a Madrid Court of Appeal judgment to be final, confirming the cancellation of Carrefour Société Anonyme's CONTINENTE trademarks and recognising Modelo Continente Hipermercados SA's right to register and use its CONTINENTE mark in Spain.

Facts

In 2008 Modelo filed a claim against Sidamsa-Continente Hipermercados SA, Centros Comerciales Carrefour SA and Carrefour SA, requesting the cancellation of various trademark registrations, trade names and establishment signs owned by Carrefour which bore the name CONTINENTE on the basis of non-use.

Carrefour admitted to not having used the marks since 2000, but tried to avoid their cancellation by claiming to be the beneficiary of the reputation previously obtained by the CONTINENTE mark and filing counterclaims of infringement of its unused marks and unfair competition. It also requested the nullity of the mixed Spanish Trademark 2.831.997 (CONTINENTE), which Modelo had registered in 2008.

Decisions

Commercial court decision

Madrid Commercial Court Number 2 cancelled the Carrefour registrations due to non-use and declared the validity of Modelo's CONTINENTE trademark and the non-infringement of Carrefour's CONTINENTE trademarks. However, it prohibited Modelo from using its CONTINENTE trademark in Spain because it considered that such use would constitute unfair competition by creating a risk of confusion by association with Carrefour.

Both parties appealed the part of the judgment which was unfavourable to them.

Appeal court decision

On 17 October 2016 the Madrid Court of Appeal dismissed Carrefour's appeal and upheld Modelo's appeal. The court revoked the commercial court's declaration which had found Modelo guilty of unfair competition and therefore revoked the prohibition on its use of the CONTINENTE sign in the Spanish market.

Carrefour filed a cassation appeal and an extraordinary appeal for procedural infringement against this judgment on the following grounds:

- Infringement by judgment of Article 59(a) of the Trademark Act and the Supreme Court case law relating to such article – Carrefour alleged lack of legitimacy on the part of Modelo due to its lack of a legitimate interest in exercising the cancellation action regarding Carrefour's CONTINENTE trademarks.
- Infringement of Article 6bis of the Paris Union Convention and Article 34 of the Trademark Act, as well as the related Supreme Court case law – Carrefour claimed that such articles do not require the use of a trademark to be considered well known.
- Infringement of Article 51 of the Trademark Act and the Supreme Court case law relating to the concept of bad faith – Carrefour claimed that Modelo had acted in bad faith when registering the CONTINENTE mark.
- Infringement of Article 6 of the Unfair Competition Law and certain Supreme Court case law – in Carrefour's opinion, Modelo's use of the CONTINENTE mark in Spain would confuse consumers.

Supreme Court decision

On 8 May 2019 the Supreme Court dismissed the cassation appeal and, as a consequence, dismissed the extraordinary appeal for procedural infringement. In respect of the grounds of cassation, the court held as follows:

- As regards infringement by judgment of Article 59(a) of the Trademark Act and the related Supreme Court case law, the court referred to Judgment 776/2012 of 27 December 2012, in which it had declared that a legitimate interest cannot be denied to parties which seek to cancel a competitor's marks which could hinder their future projects on the basis of non-use.
- As regards infringement of Article 6bis of the Paris Union Convention and Article 34 of the Trademark Act, as well as the related Supreme Court case law, the court agreed with the Madrid Court of Appeal that it is impossible to defend the protection of a trademark that is not being used, as the concepts 'remembered trademark' and 'well-known trademark not used' do not exist. Further, the parameters to prove the well-known character of a mark (eg, market share, intensity, geographical extent and duration of use) are linked to use.
- As regards infringement of Article 51 of the Trademark Act and Supreme Court case law relating to the concept of bad faith, the Supreme Court pointed out that Carrefour had ignored the fact that:

- its CONTINENTE marks had not been used since 2000; and
- Modelo had been using the CONTINENTE mark in Portugal when it applied to register it in Spain.

The Supreme Court recalled that the decisive reason behind the Madrid Court of Appeal's ruling was Carrefour's lack of use of the CONTINENTE mark and held that a mark cannot be protected solely because it can be remembered by consumers. In short, the Supreme Court held that as stated by the Madrid Court of Appeal, the appellant could not turn the mere consequence of Carrefour's lack of use of the CONTINENTE mark into bad faith.

- As regards infringement of Article 6 of the Unfair Competition Law and certain Supreme Court case law, the Supreme Court recalled the principle of relative complementarity, citing its judgment of 15 September 2017 (504/2017). It added that:
 - it is inadmissible to obtain the protection of a mark under the Unfair Competition Law against the protection offered by a trademark registration which was obtained legitimately; and
 - a new *ius prohibendi* (ie, a right to prohibit others from using intellectual property) cannot be generated in favour of a rights holder which lets its mark expire.

Comment

The Supreme Court's decision supports the previous case law criterion that protection cannot be sought for trademarks which are no longer used on the market. As the Madrid Court of Appeal ruled, the types of mark for which Carrefour sought protection (ie, a remembered mark or a well-known mark not used) are not protected under the Spanish trademark system.

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