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Exhaustion of trademark rights: Barcelona Court of Appeal rules in Schweppes case

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Intellectual Property, Spain

🕒 Facts

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On 22 July 2019 Section 15 of the Barcelona Court of Appeal declared that Red Paralela SL and Red Paralela BCN SL (together, Red Paralela) had infringed Schweppes International Limited's Spanish SCHWEPPEES trademarks by importing and commercialising Schweppes-branded tonics in Spain which had been manufactured in the United Kingdom by Coca-Cola/Atlantic Industries (together, Coca-Cola), the owner of the UK SCHWEPPEES trademarks.

Facts

The SCHWEPPEES trademarks originally belonged to Cadbury Schweppes (now the Orangina Schweppes group).

In 1999 Cadbury Schweppes sold the trademark rights to Coca-Cola for some jurisdictions, including the United Kingdom.

Therefore, with regard to the case at hand, Schweppes International Limited (part of the Orangina Schweppes group) owns the Spanish SCHWEPPEES trademarks, which are exclusively licensed in Spain to a company of the same group, Schweppes SA. Coca-Cola owns the SCHWEPPEES trademarks pertaining to the United Kingdom.

Red Paralela commercialised nearly 17.3 million bottles of Schweppes-branded tonic in Spain, which Coca-Cola had manufactured in the United Kingdom between 2009 and 2014, obtaining a turnover of almost €5.9 million. For this reason, Schweppes SA filed a lawsuit for the infringement of the Spanish SCHWEPPEES trademarks.

Red Paralela defended itself by alleging the exhaustion of the rights conferred by the Spanish trademarks.

In order to bring the case to trial, Barcelona Commercial Court Number 8 submitted a number of questions to the European Court of Justice (ECJ) for a preliminary ruling. The ECJ responded as follows:

Article 7(1) of Directive 2008/95/EC of the European Parliament and of the Council of 22

October 2008 to approximate the laws of the Member States relating to trade marks, read in the light of Article 36 TFEU, must be interpreted as precluding the proprietor of a national trade mark from opposing the import of identical goods bearing the same mark originating in another Member State in which that mark, which initially belonged to that proprietor, is now owned by a third party which has acquired the rights thereto by assignment, when, following that assignment,

- the proprietor, either acting alone or maintaining its coordinated trade mark strategy with that third party, has actively and deliberately continued to promote the appearance or image of a single global trade mark, thereby generating or increasing confusion on the part of the public concerned as to the commercial origin of goods bearing that mark,

or

- there exist economic links between the proprietor and that third party, inasmuch as they coordinate their commercial policies or reach an agreement in order to exercise joint control over the use of the trade mark, so that it is possible for them to determine, directly or indirectly, the goods to which the trade mark is affixed and to control the quality of those goods.(1)

In view of the ECJ's response, Barcelona Commercial Court Number 8 held that Schweppes's trademark rights had been exhausted and dismissed its lawsuit (as well as Red Paralela's counterclaim of acts of unfair competition).

Schweppes SA, Schweppes International Limited and Orangina Schweppes Holding BV appealed this decision before the Barcelona Court of Appeal (Section 15).

Appeal decision

The Barcelona Court of Appeal reassessed the evidence filed and reversed the commercial court's decision.

In particular, the Barcelona Court of Appeal considered that certain facts that had led the commercial court to rule that the plaintiff's trademark rights had been exhausted were insufficient to dismiss the allegations of trademark infringement for the following reasons:

- As regards the redirection to Coca-Cola's website when choosing the United Kingdom as the territory on Schweppes International Limited's website, the court held that Schweppes International Limited could not be considered to be advertising the UK SCHWEPPEES trademarks, but rather informing consumers about the local producer of Schweppes products.
- The court held that Schweppes International Limited's response to two Twitter messages concerning products in the United Kingdom was insufficient to conclude that it had assumed jurisdiction over the United Kingdom.
- The court held that the use of Schweppes SA and Schweppes International Limited products in advertising had not been proven and that, in any case, two pictures alone were insufficient to reach such a conclusion.
- As regards the small differences between the Spanish and UK products, the court held that although there were limited ways in which to present a tonic bottle, there were differences between said products (eg. label placement).
- The Barcelona Court of Appeal agreed with the commercial court with regard to the references to Schweppes International Limited products and their UK origin and link, but held that this was a weak argument.
- The court held that the fact that Schweppes International Limited and Coca-Cola had registered

similar trademarks in different territories was not due to an agreement, but rather the history of the trademark, which consisted of the signature of the mark's founder, Jacob Schweppes, and the addition of 'zero', which is common in the market.

- The fact that Schweppes International Limited had granted Coca-Cola a licence to manufacture and distribute its products in the Netherlands did not mean that there was a general agreement in place for the entire European Union.
- As regards the commercialisation of British products through Amazon and Alibaba in France and Germany, the court held that when the owner of the SCHWEPPEES trademarks in said countries was Schweppes International Limited and it did not exercise any legal action, this did not constitute a tacit approval of said activity.

For the above reasons, the Barcelona Court of Appeal held that neither circumstance required by the ECJ to justify a finding of the exhaustion of trademark rights (ie, the image of a global trademark or the existence of economic links between the companies) applied.

As such, the Barcelona Court of Appeal upheld the appeal, granting the trademark infringement claims and ordering Red Paralela to (among other things) cease the commercialisation of the UK products in Spain and pay the plaintiffs €293,480 in damages as a hypothetical royalty.

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Endnotes

(1) Case C-291/16, Judgment of 20 December 2017.

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