

You are in preview mode

DISABLE PREVIEW MODE



17 May
2019

Supreme Court clarifies conditions for existence of legal interest in non-infringement action

Slovenia - [ITEM doo](#)

- Kantina sought court declaration that sale of its Skenderbeu brandy does not infringe Adol's trademarks
- First-instance court held that Kantina had no legal interest in filing non-infringement action, and Higher Court confirmed
- Supreme Court reversed, finding that Kantina had clear legal interest

In *Kantina E Pijeve "Gjergj Kastrioti Skenderbeu" sh.a. v Adol sh.p.k.* (Ref No III Ips 68/2018), the Supreme Court has set aside both the first and second-instance decisions, which had rejected, on formal grounds, a non-infringement action filed by Kantina E Pijeve "Gjergj Kastrioti Skenderbeu" sh.a ('Kantina'). The Supreme Court reversed the decisions, holding that the formal conditions for a non-infringement action were met in this case, and ordering the lower courts to assess the case on merits.

Background

Kantina and Adol sh.p.k. ('Adol') are Albanian wine and spirits producers. They both produce and sell brandy named after a famous Albanian war hero and leader from the 16th century, George Castriot Skanderbeg (ie, the Skanderbeg/Skenderbeu brandy).

Both producers have been selling their brandy since at least the 1980s in Albania and export their products to many other countries, including Slovenia.

Adol recently registered several trademarks (mostly EU trademarks) protecting several variations of the name Skenderbeu for brandy and other alcoholic drinks. After the registration of the marks, Adol started, without Kantina's knowledge, to take action against distributors and retailers of Kantina's Skenderbeu brandy in Slovenia. Adol was successful in obtaining an injunction against Kantina's main distributor and a major retailer, which owned several stores and belongs to a famous European chain store franchise.

As soon as Kantina became aware of the injunction, it filed an action against Adol, seeking a court's declaration that the sale of Kantina's Skenderbeu brandy does not infringe Adol's trademarks (ie, a negative declaratory action or non-infringement action). Kantina argued that it had used the Skenderbeu signs in good faith prior to Adol's registration of the trademarks, and thus had the right to continue using the sign under Slovenian law (prior use defence).

Circuit Court decision

The first-instance court dismissed the action on formal grounds, holding that the main formal condition for the action had not been met - that is, Kantina had no legal interest in filing a non-infringement action. The court reasoned that a negative declaratory judgment cannot be issued if a better legal remedy is available to the plaintiff. In this case, the court argued that Kantina should have filed a cancellation action against Adol's trademarks. In support of its reasoning, the first-instance court cited a recent Supreme Court decision (III Ips 160/2008) which seemingly confirmed its position.

Higher Court decision

Kantina appealed the judgment in its entirety, arguing, among other things, that a cancellation action cannot be compared to the prior use defence; these are two completely different legal remedies with different effects, which cannot be considered as alternatives. Further, Kantina obtained both lower-instance decisions in connection with the cited Supreme Court decision (III Ips 160/2008), and clearly and systematically explained that the circumstances in the cited case were different.

The Higher Court confirmed the first instance decision and rejected the appeal, though for different reasons. The Higher Court argued that Kantina's legal position was not endangered as Adol had never attacked Kantina directly. Adol had taken action only against Slovenian companies which happened to deal with Kantina's products. Further, the Slovenian companies should have used the above-mentioned defence in their respective procedures. Therefore, as they had failed to do so, Kantina had no legal interest in bringing a non-infringement action. By this decision, the Higher Court effectively set an impossibly high standard for meeting the formal requirements for a non-infringement action.

Supreme Court decision

Kantina then filed an extraordinary legal remedy (petition for revision) with the Supreme Court. Kantina argued that the Higher Court's position was too limiting, thus violating Kantina's constitutional right to judicial protection.

The Supreme Court accepted to review the Higher Court decision, as this issue was an important legal question for the development of Slovenian practice. Following the revision procedure, the Supreme Court dismissed both lower-court decisions, confirming that Kantina had a clear legal interest.

The Supreme court stated that a legal interest exists if the plaintiff can show that:

- its legal position is uncertain and a declaratory judgment would resolve such uncertainty; and
- the danger to the plaintiff's legal position and interest is concrete, not only hypothetical.

The Supreme Court held that Kantina's assertion that Adol's trademark rights are limited due to Kantina's prior use raised an uncertainty about Kantina's legal position. Further, Adol's actions against the distributors and retailers of Kantina's products constituted a concrete danger to Kantina's legal position. Consequently, the Supreme Court held that these facts constituted the basis for Kantina's legal interest in a non-infringement action. The Supreme Court remitted the case back to the first-instance court to be heard on the merits of the case.

Comment

This decision is important as it clarifies the conditions for the existence of legal interest in a non-infringement action, which is now becoming a viable option for the parties concerned.

Igor Šetinc

ITEM doo

TAGS

[Enforcement and Litigation](#), [Food and Beverage](#), [Slovenia](#), [Europe](#)