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Supreme Court issues landmark decision in cancellation action

Slovenia - ITEM doo

Cancellation
National procedures

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In *Terraco AB v CALCIT doo* (Case No IV Pg 1353/2009 of March 30 2012, I Cpg 867/2012 of March 28 2013 and III Ips 91/2013 of November 11 2014, released in December 2014), the Slovenian Supreme Court has reversed earlier judgments of the Higher and Circuit Courts and held that the mere lack of use of a Community trademark (CTM) in Slovenia does not constitute a ground for rejecting an invalidation action against a Slovenian national trademark based on that CTM.

In May 2009 Terraco AB filed an invalidation action against the Slovenian national trademark TERACO (Registration No 200770655) of Calcit doo (registered for goods in Class 1 of the Nice Classification), based on its earlier international registration for TERRACO (International Registration No 915954) designating the European Union, which covered goods in Classes 1 and 2.

The Circuit Court of Ljubljana rejected the action, holding that there was no likelihood of confusion between the trademarks despite their similarity. In particular, the court considered the goods to be dissimilar, due to certain characteristics and the specific manner of extraction, use and sale of the goods marketed by Calcit.

Terraco appealed to the Higher Court of Ljubljana, arguing that instead of basing its decision on the goods marketed by Calcit, the Circuit Court should have compared the goods as registered, which were similar, and should thus have invalidated the TERACO mark due to a likelihood of confusion on the market.

Although the Higher Court adopted the arguments of Terraco and held that the goods were similar, it refused the appeal. According to the Higher Court, the non-use of the earlier CTM TERRACO in Slovenia was a decisive legal fact in the invalidation action. The court based the refusal of the appeal on Article 119(3) of the Slovenian Industrial Property Act, which states that an invalidation action will be refused if the conditions for the cancellation of the earlier trademark for non-use are met under Article 120(1) of the act (ie, non-use of the earlier mark in Slovenia for a period of five consecutive years from the registration date).

Terraco filed a petition for revision with the Supreme Court, arguing as follows:

- The conditions for cancellation of CTMs due to non-use are set in the Community Trademark Regulation (207/2009), which contains no provision denying the validity of a CTM if it is not used in a single EU member state.
- The conditions for cancellation of CTMs under the regulation differ from those under Article 120(1) of the Slovenian Industrial Property Act; therefore, it is not possible to apply Article 120(1) to a CTM by analogy.
- Due to its unitary character, a CTM cannot be cancelled or deemed to be cancelled only in the territory of one EU member state.
- According to the Industrial Property Act, Article 120(1) is used merely for the cancellation based on non-use of national trademarks and international registrations designating Slovenia; therefore, it cannot be used to cancel CTMs.
- Consequently, Article 119(3) of the Industrial Property Act is not applicable when the earlier trademark in an invalidation action is a CTM.

The Supreme Court established that the Higher Court had correctly found that the goods were similar, but had incorrectly assessed the territorial criterion for use of a CTM, and was thus wrong to refuse the appeal. According to the Supreme Court, non-use of a CTM in Slovenia does not constitute a ground for refusing an invalidation action against a national trademark based on that CTM. Consequently, the court reversed the earlier judgments and invalidated the Slovenian trademark TERACO.

This judgment is of great importance in that it is the first time that a Slovenian court has resolved the issue of whether the use of an earlier CTM in Slovenia is relevant in an invalidation action against a Slovenian national trademark.

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