

July 11 2022

Supreme Court rules on whether lodging action for trademark infringement can constitute abuse of rights

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In its recent decision,⁽¹⁾ the Supreme Court had to deal with the issue of whether lodging an action against a party for trademark infringement can constitute an abuse of rights towards other parties. The Supreme Court ruled that the enforcement of trademarks generally serves the legitimate interests of the owner. Only in very exceptional circumstances can the protection of trademark rights be regarded as an abuse of rights.

Facts

The plaintiffs are the developers and operators of a famous social media entertainment app and platform. The defendants are the owners of an earlier trademark that is highly similar to the sign under which the app is operated. In different proceedings before the Vienna Commercial Court, the defendants claimed injunctive relief against a third internet company, requesting it to refrain from selling information technology services using a sign that could be confused with their own trademark.

The plaintiffs requested the Court to issue an interim injunction against the defendants, forbidding them from lodging a claim against a third party for trademark infringement. They argued that the defendants' proceeding against the third party was unfair and immoral (ie, an abuse of rights) as these proceedings could result in a multibillion-euro loss for the plaintiffs; such loss would be blatantly disproportionate to the interests of the defendants in the proceeding. The defendants stressed that they were simply defending their rights under an earlier trademark.

The lower courts dismissed the request for an interim injunction. They pointed out that the plaintiffs had failed to prove that the claims raised in the parallel proceedings by the defendants (ie, the owners of the earlier trademark) were an abuse of rights or that they had acted with intent to cause damage or had deliberately or obviously made false allegations.

The plaintiffs raised an extraordinary appeal against the dismissal to the Supreme Court, stating that the plaintiffs' potential damage, amounting to billions of euros, far exceeded the defendants' interest, which extended to a few tens of thousands of euros.

Decision

The Supreme Court dismissed the plaintiffs' appeal. The Supreme Court held, in reference to existing case law, that in principle not only the acquisition of a trademark but also the assertion of claims based on such trademark could be immoral and an abuse of rights under general civil law as well as unfair competition law. The Supreme Court further stated that whether a formally existing claim is asserted in abuse of rights is to be decided according to a weighing of interests. Abuse of rights not only exists if the intention to harm constitutes the sole reason for exercising the right, but also if there is a blatant disproportion between the interests pursued by the acting party and the impaired interests of the other party.

However, the Supreme Court concluded that apart from where the proprietor of an earlier mark tolerates a later mark for more than five years and thereby loses its right to oppose the use of that later mark (under section 9(5) of the Austrian Unfair Competition Act in connection with section 58 of the Austrian Trademark Protection Act), the enforcement of earlier trademark rights normally serves the legitimate interests of the proprietor. Thus, this can only be qualified as immoral (ie, as an abuse of rights) in very exceptional cases.

The Supreme Court confirmed the view of the lower courts and stated that they had justifiably denied the alleged abuse of rights by the defendants. The plaintiffs had not succeeded in proving – as required by case law – a very exceptional case where their interests carry more weight than the defendants' legitimate interest in protecting their trademark.

Comment

As far as can be seen, in this decision the Supreme Court dealt for the first time with the question of the conditions under which the assertion of claims for injunctive relief based on an earlier trademark right can constitute an abuse of rights. The decision strengthens the position of owners of earlier trademarks that are confronted with users of newer signs encroaching on their trademark rights which are financially in a completely different league.

The Supreme Court made very clear that the balancing of interests will go in favour of the trademark owner unless there is an exceptional case where the interests of the user of the newer sign are truly disproportionately impaired. In order to be able to assume such a massive impairment of interests, however, the loss of monetary interests, even if they are in the billions, is not sufficient.

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Endnotes

(1) 4 Ob 184/21v.