

## Hotel Trademark Decision Provides Teachable Moments



**By Stacey C. Friends, Esq.**

A recent case in the First Circuit court contains several important lessons regarding the importance of trademark registration, enforcement, searching and clearance, particularly for hotels and restaurants entering a new territory.

The case involved two hotels – Hotel Meliá, located in Ponce, Puerto Rico and Gran Meliá, located in Coco Beach, Puerto Rico. Hotel Meliá Inc. (HMI), had been operating the Hotel Meliá since the 1890s, but never registered its mark. Gran Meliá’s owner, Sol Meliá S.A. (now Meliá Hotels International, “MHI”), is a large Spanish hotel chain with 350 hotels in 35 countries. MHI’s trademark holding company, Dorpan S.L., holds several U.S. registrations for marks containing the distinctive term, Meliá, the oldest of which dates back to 1998. In 2007 MHI re-named the Coco Beach property “Gran Meliá,” and both parties eventually filed countering trademark lawsuits. Although MHI at first prevailed in the District Court, the First Circuit held on appeal that MHI could not use the “Gran Meliá” mark in Puerto Rico due to a likelihood of confusion with the senior Hotel Meliá.

Trademark Registration: The first obvious lesson is that companies should register their trademarks in any jurisdiction in which they are operating or intend to operate within a reasonable time. If HMI had registered its mark at any time before 1994 when Dorpan filed its first application for a “Meliá” mark (“Meliá Hoteles”), there would have been no issue and no lawsuit. Any time, money or effort saved on not registering was spent tenfold, or more, in litigation. Also, while it is true that the U.S. recognizes common law trademark rights based on actual use in commerce, except for a few other countries (Canada, Philippines, Australia, UK) this is not the case. Registration in most countries in the world is necessary and is the only way to secure trademark rights. In addition, even in the jurisdictions which recognize common law rights, an unregistered user will be limited to the geographic area in which that business operates. Thus, a junior user who registers and is not challenged will have nationwide rights but for that specific geographic location. How expansive that geographic location is will be a fact-specific determination, which the lower court in the Hotel Meliá case decided was only Ponce, but the First Circuit held was all of Puerto Rico.

Trademark Enforcement: Another important take-away from the Hotel Meliá case is the importance of enforcing one's marks. HMI did not oppose Dorpan's registration of "Meliá Hoteles" when the mark published in 1996, nor did it oppose any of the other three marks Dorpan applied for thereafter. HMI also did not petition to cancel any of Dorpan's registrations, and so by the time the trademark conflict arose, Dorpan held two incontestable registrations. This meant that those marks (Meliá Hoteles and Gran Meliá) were no longer vulnerable to cancellation based on senior rights. Again, some effort and funds spent earlier to prevent or cancel the registrations in question could have prevented the resulting litigation which consumed five years and incredible expense. Proactive measures could have also prevented the "reverse confusion" which was complained of in the Hotel Meliá lawsuit and which probably will continue to exist until MHI changes its name. Reverse confusion occurs when a senior unregistered user is overwhelmed by a more commercially powerful junior user, causing the senior user to lose control over its brand and its goodwill. A Google internet search done today showed multiple listings for the Gran Meliá Resort and Hotel. Only the very last listing was for the Hotel Meliá owned by MHI.

Trademark Searching & Clearance – It is not mentioned in the First Circuit decision whether MHI or Dorpan did a trademark search, and if they did, if it included a common law search. In jurisdictions which recognize common law trademark rights, a clearance search should include common law databases. Reasonable minds can differ, but a prominent senior use in a geographic area in which one intends to operate should be a huge red flag. Dorpan and MHI could have saved considerable time and expense by choosing a different name for that particular site when they decided to re-brand it in 2007.

Bottom line: Before expanding into a new territory, whether it be a new city, state, or country, it is advisable to conduct a search of both the relevant trademark office database and general common law databases. Be aware of any senior users before plunging ahead with a trademark. Even in "first to file" jurisdictions, there may be provisions in the law for unregistered users to oppose similar marks under a "passing off" theory (trading on the senior user's good will). For those already operating or planning to operate under a certain trademark, register your trademarks as soon as possible. Most countries do not require use in commerce to register, and even those that do allow "intent to use" applications which effectively "reserve" a mark so long as use is eventually proven or declared.

**Stacey is a shareholder of Ruberto, Israel & Weiner and a member of the firm's Retail, Food & Hospitality and Intellectual Property Groups.  
Stacey can be reached at [sfriends@riw.com](mailto:sfriends@riw.com).**