



Strict conditions for limiting contractual rights by invoking the doctrine of stoppel

Judgement of the Supreme Court, Civil Chamber, of 6 October 2015

Background

Accy Phone, S.L. and Motorola Mobility España, S.A. entered into an exclusive distribution agreement, under which Motorola supplied Accy with mobile phones that were then resold by the latter.

After Motorola committed several breaches of contract, Accy filed a law suit requesting to terminate the Agreement and to order Motorola to settle an outstanding debt and to pay compensation for damages. Accy's quantification of these damages included the losses it had suffered as a result of having to sell the mobile phones below cost. Accy claimed that, although this compensation was not specified in the contract, Motorola had always paid that difference while the agreement was in force.

Stoppel

The doctrine of stoppel precludes a person from acting contrary to his/her own past actions, as this would constitute a breach of trust and good faith.

In this judgment, the Court recalls that, in order to prevent someone from exercising a right on the grounds that this would be contrary to his/her past actions, said actions must be unequivocal and, furthermore, they must have created, defined, modified or extinguished a specific legal situation. Therefore, this doctrine may only be invoked if there is a contradiction

or incompatibility between past and present conducts, if conduct in the past was unequivocal, and if said conduct was able to change the legal position of the acting party.

On the other hand, the Court pointed out that this doctrine does not apply to ambiguous cases or where the change in attitude is a response to new facts or actions. Thus, the fact that Motorola agreed to compensate Accy for its losses on several occasions during the contract term did not constitute an unequivocal obligation to compensate Accy for the losses it suffered upon liquidating its stock after the agreement was terminated.

The Court's distinction between the situation that existed while the agreement was in force and the situation following its termination is especially significant, as good faith expectations could vary in one case or the other. In this respect, the Court noted that "the fact that the conduct of one of the parties in the period after the contract was terminated differed from that exhibited during the performance of said contract cannot be considered contrary to good faith".

In conclusion, contract termination, as an event that gives rise to a new situation, may entitle one of the parties to act or "react" differently, and this change in conduct is not contrary to good faith, nor does it infringe the doctrine of stoppel.