THE ASSIGNMENT OF THE TRADEMARK DERIVED FROM THE SALE OF THE UNDERTAKING:

On the presumption established in the article 47 of the Spanish trademark law.

A trademark is a distinctive sign that belongs to the intangible assets of the undertaking and aims to distinguish the goods and services of one undertaking from those of other undertakings.

A trademark as an asset is used in the course of trade and as an object of property can be assigned separately from any transfer of the undertaking, in respect of some or all of the products or services for which it is registered, allowing the contracting parties to establish the conditions that will determine the use of the trademark.

However, the Spanish Trademark Law presumes that the transfer of a business activity as a whole implies as well the assignment of the trademarks of the undertaking. This scenario is foreseen in article 47.1 of the Spanish Trademark Law.

We understand, as a general rule that the ownership of a trademark belongs to that individual person or legal person that had the trademark registered (article 2.1 of the Spanish Trademark Law). However, the law itself foresees an exception to this general rule, in the article 47.1 of the Spanish trademark Law, which establishes that.

"The transfer of an undertaking shall imply the transfer of the trademark, except where there is an agreement to the contrary or circumstances clearly dictate otherwise. This provision shall apply to the contractual obligation to transfer the undertaking."

It is presumed that the sale of an undertaking implies the transfer of the trademark, if the trademark is not expressly excluded from the sale.

The second paragraph of the article 20 of the European Union trademark rules this issue similarly:

"A transfer of the whole of the undertaking shall include the transfer of the EU trademark except where, in accordance with the law governing the transfer, there is agreement to the contrary or circumstances clearly dictate otherwise. This provision shall apply to the contractual obligation to transfer the undertaking."

The practical approach of such legal provisions can be problematic when in the sale of an undertaking, business or productive unit the parties do not establish anything regarding the trademark, and the seller claims the trademark of his property differentiating it from the undertaking, either because the trademark is registered under his name, or because sale-purchase was of a productive unit that is not formally the owner of the trademark.

According to both, EU, and Spanish Law, in these situations, it shall be understood that the trademark is assigned to the acquirer, as an inherent part of the acquired business.

This seems simple; however, the practical approach can be ambiguous. To give clarity to the situations described, let's see how the courts have interpreted the article 47.1 of the Spanish Trademark Law.
The case law has established that:

"*the presumption that the transfer of an undertaking as a whole implies the assignment of its trademarks, and therefore if the parties omit anything regarding the undertaking's assets in the sale-purchase agreement, it shall be presumed that the acquirer acquired the trademark if otherwise is not stated in the agreement*" (Court decision of the Appeal Court of Alicante n. 1254/2020, 23 of November).

In this case, we are talking about trademark-s in plural, and not trademark in singular, as the legal rule establishes. Here comes the first doubt, should we interpret the law restrictively and limit the assignment to the undertaking's trademark, or is it possible to extend the assignment to the trademarks of a product or service?

If the parties do not establish anything regarding the trademarks in the sale-purchase agreement, we shall understand that the trademarks are assigned together with the rest of the undertaking. It shall be understood that the trademark is assigned when the undertaking is transferred as a whole.

Here we find another interpretative doubt regarding the concept of "undertaking", this term is used by both the EU Regulation and the Spanish Law. It seems that this term has to be understood as the term "business" rather than the term "company".

The Court decision of the Appeal Court of Alicante mentioned before, understands that the concept of "transfer of an undertaking" includes the concept of "sale of a productive unit":

"*as it is the **sale of a productive unit** for which the legislator has introduced the presumption that trademarks are assigned to the acquirer, **given that trademarks are considered to be a distinctive sign that belong to the company's assets, not only contributing to the business value but keeping a special functional relationship with the sale's object as the trademark is essential to keep the productive aim that is inherent to the company**"* (Court decision of the Appeal Court of Alicante n. 1254/2020, 23 of November).

In other words, it shall be connected the sale of an undertaking as a business with the assignment of the trademark due to the usefulness this asset has in the framework of a business, being a necessary and indispensable element for the company's productivity.

We can find another example of a dispute derived from the assignment of a trademark due to the transfer of a branch of the business. The Appeal Court of Barcelona solved this case**, in its Court decision n. 63/2013, 11 of February.**

This conflict arose from the disagreements in a family business with two different lines of activity, the restaurant business (Frankfurt) and the manufacture and distribution of meat products (partly to serve the Frankfurt business). This family business was formed by five different companies.

In two of those companies, the father was the sole director and the only shareholder. Later, the son and the father incorporated three companies, in which the father was the sole director and shareholder, and the son was as well a shareholder. Besides, the father owned seven commercial premises that were contributed to the company at the moment of their incorporation, and the father was as well the owner of the registered trademarks of the restaurants. On the other side, the other trademarks of the manufacture and distribution business were registered under the name of one of the companies.

A while after the father decided to transfer the restaurant business to his son. Through a donation and a sale, the son acquired from his father all the shares of two of the companies. Through a donation, the son acquired two commercial premises and through a sale agreement acquired from his sister, another local premise. As a result of these transfers, the son acquired all the shares of two of the companies, six different commercial premises and one commercial premise from his sister, even though it was exploited by his father. Moreover, the son became the sole director of all the companies of the business.

Deteriorated the relationships of the family members, the son resigned as the sole director of some of the companies, except in two of them, in which he remained being the sole director, while his sister became the sole director in one of the other companies, from which her brother had resigned.

The question here is whether with the transfer of the business to the son it shall be understood that the trademarks of the restaurant business were also assigned to the son, even though the trademarks of the restaurant business were registered under the father's name.

The Appeal Court of Barcelona, in accordance with the Court decision of the Commercial Court, declared that "*the transfer of the business involves as well the assignment of the ownership of distinctive signs, therefore, admitting the petitions in the counterclaim, declares that the trademark and the shop signs (...) belong [the son]*" (Appeal Court of Barcelona, in its Court decision n. 63/2013, 11 of February).

Follows the Court reasoning that the contracts between father and son "*meet the same conception, and fundamental cause, which was transferring the commercial premises (...) and that the sum paid by [the son] as compensation (...) includes the price of the sale-purchase (...) it shall only be explained if the transfer includes the distinctive signs that belong to the company's goodwill, and even if they are not included in the company's inventory and balances, the presumption foreseen in the article 47 of the Spanish Trademark Law should be applied*" (Court decision of the Appeal Court of Barcelona n. 63/2013, 11 of February).

Besides, the Appeal Court of Barcelona acknowledges that **even if the transfer had been done in three different public deeds, they could not be seen as isolated transactions, but rather as part of a business sale.** The son acquired all the commercial premises destined to the restaurant business, acknowledging that it is the sale of a single business that belongs to the "same chain", and furthermore that "***the decisive element that shall prove the sale of the restaurant business including all elements, trademarks as well, is the compensation paid by the acquirer (…)***" (Court decision of the Appeal Court of Barcelona n. 63/2013, 11 of February).

As a result of the above, one of the questions that arise with the presumption of the article 47.1 of the Spanish Trademark Law, is what happens in the trademark registry, because remember that the owner of a trademark will be the one who had the trademark registered or whoever appears as the owner of the trademark in the registry.

The Appeal Court of Barcelona declared on this matter that with the transfer of a company "*it is acquired the property of distinctive signs as well, as the Commercial Court established, despite the fact that the assignment is not reflected in the trademark registry*" (Court decision of the Appeal Court of Barcelona n. 63/2013, 11 of February).

In the light of what is established in the Court decision of the Appeal Court of Barcelona, we understand that in the case that the undertaking is transmitted, and nothing is established regarding the trademark, it shall be understood that the trademark is assigned to the acquirer, according to the article 47.1 of the Spanish Trademark Law. A different question is if the register shall *ex oficio* reflect the change of the ownership or if the change of ownership shall be requested by the interested parties, having previously obtained a declaratory judgment, acknowledging the change of the ownership. It seems more plausible the second option.

Another conflict that can arise, is **when an undertaking uses a trademark that is registered under the name of an individual person connected to the undertaking**. For this case, we can refer to the Court decision of the **Appeal Court of Madrid on the 18th of January 2013**.

This Court decision solves a dispute in which the claimant, the defendant and the defendant's wife, engaged in offering maintenance and transport services as individuals and self-employed workers. A while after, they decided to partner, pooling their businesses, and using in the course of trade the trade name "*SUMA EUROPEA DE SERVICIOS*", and using this same name to distinguish their services. Such trademark was ownership of the claimant as an individual person.

Later, the claimant and the defendant's wife decided to incorporate a limited liability company (*sociedad limitada, S.L.*), with the name *"SUMA EUROPEA DE SERVICIOS, S.L.*", contributing each one of them half of the equity capital, however and without knowing the reason, the claimant appeared as the only holder of the total of the equity capital.

Two years after having incorporated the company, the claimant exchanged with the defendant all the shares of the company "*SUMA EUROPEA DE SERVICIOS, S.L.*" for three vehicles that belonged to the defendant.

Once the company was transferred, the defendant kept offering his services with the trademark "*SUMA EUROPEA DE SERVICIOS*", and the claimant filed a lawsuit requesting the court to acknowledge that the trademark "*SUMA EUROPEA DE SERVICIOS*" belonged to him, and therefore that the defendant was infringing his trademark rights making improper use of it.

The Appeal Court of Madrid justifies the assignment of the trademark because it can be inferred from "*the proven facts, that the trademark was a creation of the claimant and the defendant's wife to distinguish the business and the services they offered when they decided to pool their respective businesses that until that moment they had been offering as self-employed workers, registering that trademark exclusively under his name, in fraud of his partner's rights, and in view of the involved parties, it shall be taken into consideration that the trademark had been tacitly contributed to the company (Court decision of the Supreme Court on the 2nd of November 1987) in the moment of its incorporation, given that not only the company has the same name as the trademark, but the trademark is used in the same course of trade identifying the same services that they were offering before incorporating the company, and as a consequence, the trademark and the trade name belong to the company "SUMA EUROPEA DE SERVICIOS, S.L." from the moment of its incorporation and not to the claimant*" (Court decision of the Appeal Court of Madrid on the 18th of January 2013).

The Court decision of the Supreme Court on the 2nd of November 1987, quoted in the Court decision of the Appeal Court of Madrid on the 18th of January 2013, solves a similar case, in which the company "*ADA, Ayuda al Automovilista*" filed a lawsuit requesting the court to acknowledge that the trademarks registered under the defendant's name, actually belonged to the company, and requesting as well to the court to order the defendant to stop making use of such trademarks.

The defendant incorporated a stock-limited company (*sociedad anónima, S.A*) "*ADA, Ayuda al Automovilista, S.A.*", before that he had registered under his name some trademarks that all contained the name "*ADA, Ayuda al Automovilista*". A few years after incorporating the company, the defendant sold all the shares to a third party and was appointed as head of *ADA, Ayuda al Automovilista, S.A.*'s local office in Madrid. Once the defendant sold the company, the company requested to register the trademarks under its name. However, the trademark registry denied such a request given that such trademarks belonged to the defendant.

Later, the defendant sold *ADA, Ayuda al Automovilista, S.A.*'s local office in Madrid, at that moment the use that the defendant had been doing of the trademarks could be protected as he was the head of the office in Madrid, but once he sold the office, it falls short that the defendant could keep using the trademarks. Despite that, the defendant kept on using the trademarks in the course of trade.

The Supreme Court solves this case by acknowledging that with the sale of the shares, it shall be understood that trademarks had been as well assigned because **even if in the "*public deed of incorporation of the company, there was nothing was established regarding the contribution of trademarks and the shop sign, the defendant was only the formal owner, but they all belonged to the ownership of the company***" (Court decision of the Supreme Court on the 2nd of November 1987).

The fact that an individual person is the owner of a trademark, but the trademark is connected to the productivity of a company and used in the course of trade by that company, does not prevent the application of the presumption of what is established in the article 47.1 of the Spanish Trademark Law. Therefore, the transfer of a company that has been using a trademark that belongs to an individual person connected to the company, shall imply assignment of such trademark. The assignment of a trademark to the acquirer shall entail the continuation of the economic activity of a company and the possibility to keep distinguishing its goods and services.

However of the above explained, before purchasing a company, business or productive unit (undertaking), it is advisable to do a thorough revision of the tangible and intangible assets, and its current legal situation, among which we shall find the company's industrial property rights such as trademarks, checking that those rights are duly registered under name of the company that will be acquired- and not under the name of third parties-, that the trademark protects the business activity and/or the goods and services for which is registered, check the existence of licensing agreements, making sure that there are no infringements of such rights or challenges regarding their validity, and that they will be properly assigned together with the rest of the business.