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Supreme Court recognises that unregistered sign may be transferred Ownership changes by contract

Slovenia - ITEM d.o.o

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The Supreme Court of Slovenia has held that the transfer of an unregistered sign used as a trademark may be achieved both by way of singular legal succession and by way of universal legal succession (Judgment I Cpg 742/2008, March 20 2012, released only recently; the judgment is available to the public, but the parties were not disclosed).

The **Slovenian Industrial Property Act** differentiates between a registered trademark, which is a well-defined industrial property right, and an unregistered sign, which enjoys legal protection only in certain circumstances. According to Article 47 of the act, the holder of a registered trademark has the exclusive right to use its trademark and to prevent third parties from using the mark in the course of trade. On the other hand, the mere use of an unregistered sign as a trademark does not suffice to create trademark rights.

Nevertheless, the act grants a certain degree of legal protection to users of unregistered signs. For example, according to Article 48 of the act, the holder of an unregistered sign who started using the sign in good faith before an application for an identical or similar trademark was filed may continue to use the sign. Further, according to Article 116, the user of an unregistered sign may file an action requesting the transfer of a trademark registered in the name of a third party if:

- the unregistered sign is identical, or similar, to the trademark (and the goods and services are also similar); and
- the unregistered sign, due to its use, had become generally known as a trademark belonging to the plaintiff before the mark in question was applied for registration.

In a recent case involving the registered trademark DOSYL (No 200270488) and the unregistered sign Dosyl, the Supreme Court had to decide whether - and to which extent - Article 116 of the act grants legal protection to the legal successors of the original user of an unregistered sign.

A Slovenian company (the original user) used the unregistered sign Dosyl as a trademark for cleaning and disinfectant preparations for machines and other equipment for the production of milk from the mid-90s until 2002. In 2002 it concluded an agreement with another Slovenian

company (the successor) whereby the entire business (including all production facilities and assets for conducting the business) was transferred to the successor. Importantly, the successor was not the universal legal successor of the original user, and the transfer was carried out by contract. The successor started using the unregistered sign Dosyl immediately after the agreement was concluded.

On April 12 2002 a third party (the defendant) applied for - and later acquired - the registration of the trademark DOSYL (No 200270488). The successor filed an action with the Circuit Court based on Article 116, seeking the transfer of the registered trademark. The main argument was that the original user's use of the unregistered sign should inure to the benefit of the successor.

The Circuit Court held that the successor should be regarded as a "partial universal legal successor" of the original user and, therefore, was entitled to sue based on Article 116. Consequently, the Circuit Court transferred the DOSYL mark to the successor. Importantly, Slovenian law does not recognise the notion of 'partial universal legal successor': one is either a universal legal successor or a singular legal successor.

The defendant appealed to the Higher Court. The Higher Court upheld the appeal and rejected the successor's action, holding that the successor was not a universal legal successor and that an unregistered sign cannot be transferred within the context of a singular legal succession (ie, by contract).

The successor filed a petition for revision with the Supreme Court, arguing that, by purchasing the original user's entire business (including the registered and unregistered rights deriving from the business), it had also become the legal successor in respect of the unregistered sign Dosyl.

The Supreme Court adopted the successor's arguments, set aside the judgment of the Higher Court and remitted the case back to it. It held that an unregistered sign may be transferred not only within the context of a universal legal succession (ie, when the legal successor assumes the legal position of the predecessor), but also within the context of a singular legal succession (ie, by contract).

However, the court pointed out that a singular legal succession may be the basis for the transfer of an unregistered sign only under certain conditions - namely, the unregistered sign must be contractually transferred to the successor with the entire business (eg, production facilities, know-how, employees and clientele). The Supreme Court concluded that, in the present case, the successor was entitled to sue the defendant based on use by the original user of the unregistered sign Dosyl, because the successor had acquired the entire business of the original user. The case was remitted back to the Higher Court to determine whether the other conditions for the transfer of a trademark were met.

This judgment is of particular importance because it is the first time that the Supreme Court has recognised that an unregistered sign may, under certain conditions, be transferred by way of

contract.

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