The Allatini Case

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Decision No. 87/2020 of the Athens Court of First Instance

The Athens Court of First Instance (the Court) was asked to decide on the validity of the transfer of the trade marks of a bankrupt famous old flour producing Greek company, Allatini, to a third party (non-creditor) on the basis of a private agreement following the declaration of bankruptcy.

According to the Greek trade mark law in force during the relevant time:

1. the right to a trade mark or a trade mark application can be transferred, in life or after death, for all or part of the goods or services for which an application for a trade mark has been filed or registered, regardless of the transfer of the undertaking;
2. the transfer of the whole of the undertaking shall include the transfer of the trade mark except where there is agreement to the contrary or circumstances clearly dictate it;
3. a written agreement is required for the transfer and it is valid against third parties only after its entry in the register of trade marks. Furthermore, a trade mark belongs to the assets available for distribution in the event of bankruptcy and such proceedings are entered in the register of trade marks.

Likewise, according to Art. 17, para. 2 of Regulation (EU) 2007/2009 (repealed by Regulation (EU) 2017/1001), applicable at the relevant time, a Community trade mark may be transferred, separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered. Additionally, in Art. 21 it is stated that the only insolvency proceedings in which a Community trade mark may be involved are those opened in the Member State in the territory of which the debtor has its main interests.

By way of background, on 17 January 1988 two Greek companies signed a private agreement, by virtue of which the first party (company A – the licensor) agreed to grant to the licensee (company B – the licensee) a non-exclusive license to use a series of *Allatini* trade marks, consisting of national and EU trade marks, in return for royalties, in parallel with the use of the trade marks by the licensor itself and its related companies. Among other terms, the parties agreed that in case of the dissolution of company A, the licensor would take appropriate steps to transfer the trade marks to company B with no obligation for them to pay any amount in return.

Company A went bankrupt. Company B's successor in law, company C proceeded to take steps for the trade marks to be transferred to it following the activation of the relevant clauses in the private agreement on dissolution of company A. It filed the respective applications before the Greek Trade Mark Office and the transfers were entered into the Greek registry.

Company A' s receiver proceeded with the sale of the marks in the context of sale of all assets of the bankrupt company A. Company C brought an action before the Court asking that it recognise company C as the true owner of the trade marks.

The Court proceeded with an analysis of the effect that registration of a transfer agreement before the Greek registry has. It clarified that as regards national marks, the transfer is valid even without its entering into the register and that such registration aims at protecting any third parties that may have acquired rights in good faith, namely without having knowledge of the transfer. On the contrary, as regards European trade marks, such entering into the registry is required in order for the transfer to take effect.

As regards the request of company C, the Court dismissed it. It found that company C was not the true owner of the trade marks at issue. It based its reasoning on the following:

a) the term 'dissolution' does not mean bankruptcy and therefore the contractual term was not applicable in case of bankruptcy;
b) even if the term 'dissolution' were interpreted so as to also cover bankruptcy, any agreement that obliges the bankrupt entity to enter into a transfer of assets agreement to a non-creditor third party outside the bankruptcy proceedings is null and void;
c) even if, as the claimant argued, the transfer of the marks was already concluded on the sole basis of the specific clause in the agreement, the Court found that this also constituted a clause which is null and void as it violates the obligatory collective procedures of transfer of assets that apply in the context of bankruptcy, namely not on the basis of an individual contract of the bankrupt company individually with a third party, but collectively through the bankruptcy receiver in accordance with the procedure provided in bankruptcy law.

Even though the Court in this case based its decision on the nullity of a specific contractual clause, it is an important decision as regards also its *obiter dicta*, where it analysed in a clear and express manner the effect that the entering into the registry has on the transfer of trade marks and confirmed that it has no effect and it only serves to protect third parties that may have acquired rights in good faith. One last important point is that the Court referred to and agreed with a legal opinion of the Council of State, in which it was stated that the recordal of a trade mark transfer always has a retroactive effect, in the sense that such third parties are protected from the date of filing of the respective application for recordal, not from the (much later) date of entering of the transfer in the registry.«

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