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Swiss IP News We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.



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Spinning Out of Control: Zurich Commercial Court on "Club Baur au Lac"

In a recent decision, the Commercial Court of the Canton of Zurich ruled on a dispute regarding the "Club Baur au Lac" trademark. The dispute arose from the spin-off of the Club Baur au Lac restaurant from the company operating the renowned Baur au Lac hotel. The court's decision hinged on the interpretation of the demerger documents and serves as a reminder to explicitly address distinctive signs in corporate transactions where appropriate.

Background

The claimant runs the prestigious Baur au Lac hotel, one of the best-known hotels in Switzerland. It registered the "Baur au Lac" trademark in 1994. The claimant also ran the Club Baur au Lac restaurant and a gentlemen's club with the same name.

The claimant's ownership was divided equally between two families. In 2006, as part of the two families' efforts to separate their assets, the restaurant business was spun off and transferred to a newly established company, the defendant. Subsequently, in 2011, the defendant registered the "Club Baur au Lac" trademark, which triggered a dispute between the parties.

The claimant argued that during the spin-off the restaurant business had been transferred to the defendant, but not the rights to the "Club Baur au Lac" sign. It was never the intention for the "Baur au Lac" and "Club Baur au Lac" trademarks to coexist independently. Therefore, the claimant requested the transfer or cancellation of the defendant's trademark.

Conversely, the defendant contended that with the spin-off the parties had agreed on coexistence of the "Baur au Lac" and "Club Baur au Lac" signs. It was under-

stood that the restaurant business would continue independently, resulting in the transfer of the "Club Baur au Lac" sign to the defendant.

Decision

On 1 February 2023, the Commercial Court of the Canton of Zurich ruled in favour of the defendant (case no. [HG200253](#)). The decision hinged on the interpretation of the demerger documents.

A spin-off is a demerger transaction governed by the Merger Act. According to Article 38 of the Merger Act, in case of a spin-off, assets which cannot be allocated to either of the involved companies based on the demerger contract or demerger plan remain with the transferring company. However, this rule only applies if an allocation of the assets is not possible even after interpreting the demerger documents.

In the present dispute, the demerger documents did not expressly provide that the rights to the "Club Baur au Lac" sign should be transferred to the defendant. Nevertheless, the court found that the interpretation of the demerger documents allowed for the allocation of the rights to the sign to the defendant. As a first step, the court objectively interpreted the demerger documents as rea-

sonable parties should and would have understood them. It considered several elements of interpretation, such as the wording of the demerger documents and the purpose of the transaction.

Seen objectively, the fact that the demerger documents did not mention the rights to the "Club Baur au Lac" sign did not support either party's position. At the time, the sign was not (yet) registered as a trademark. Given the challenges in valuing unregistered signs, it was neither customary nor practicable to mention such signs in financial statements, including demerger documents.

The purpose of the spin-off was to establish the independence of the restaurant business. The transaction was intended to clearly separate the assets of the two families, with each taking over one of the companies resulting from the spin-off. Against this background, it would not have been reasonable for the rights to the "Club Baur au Lac" sign to remain with the claimant. Otherwise, the defendant would have depended on the claimant for its use of the sign after the spin-off. In view of the intended division of assets and independence of the restaurant business, reasonable parties acting in good faith should have understood the demerger documents in such a way that the rights to the sign were transferred to the defendant, even without explicitly mentioning such transfer.

Objective contract interpretation thus supported the defendant's position. It was then up to the claimant to show that subjective contract interpretation would lead to a different outcome. However, the claimant could not establish that the mutual and actual intention of the parties was for the rights to the "Club Baur au Lac" sign to remain with the claimant.

As the rights to the sign had been transferred to the defendant, the court held that the claimant was neither entitled to a transfer of the "Club Baur au Lac"

trademark that the defendant had since registered nor to a cancellation of the trademark.

Comment

The court's interpretation of the demerger documents seems extensive, possibly going beyond mere contract interpretation and resulting in the filling of a contractual gap. However, if such gap existed, the default rule of the Merger Act would arguably apply, which would have awarded the rights to the "Club Baur au Lac" sign to the claimant.

It is worth noting that the Trademarks Act presumes that the transfer of a business also includes the transfer of its (registered) trademarks (Article 17(4) TMA). The court's interpretation essentially results in an analogous application of this provision to unregistered signs in a Merger Act transaction.

Further, the court's decision does not address for which goods and services the defendant is entitled to use and register the "Club Baur au Lac" sign. The defendant's trademark has been registered for a variety of services, including notably accommodation services, that go beyond the services that the restaurant business was offering at the time of the spin-off. At least for these services, the claimant did arguably not waive its claims and agree to coexistence.

Finally, the decision serves as a reminder that explicitly addressing the use and ownership of distinctive signs in transactions may help avoid ambiguity and potential conflicts in the future.

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