

Can you earn profits from a commercial company after its sale?

Jacob & Uri are brothers, the owners of a successful hi-tech industrial plant.

When Jacob decided to retire, he wanted to sell his brother, Uri, his share of the plant. Right about the same time, the plant lost its main client, a well-known global hi-tech corporation. Therefore, in 2009, Jacob sold his shares of the company to Uri for the token amount of 850 ILS.

The shares sales agreement was prepared by an attorney, who represented both parties. The draft agreements were exchanged between the parties via email.

After the parties signed the agreement, Jacob found out that the profit sharing clause was omitted from the agreement. According to Jacob, Uri had misled him, and intentionally omitted this clause. Therefore Jacob is owed his share of the company's accumulated profit that had not yet been paid as dividend to the shareholders, the sum total of which was approximately 900,000 ILS.

In 2013, Jacob filed a claim to the court, according to which he sued his brother and other defendants for his share in the undivided accumulated profit of the company.

The trial was conducted for several years at court, and our firm represented the defendants. The court case included multiple hearings and was resulting in a ruling.

Our firm argued against the claim. Here are several of the main arguments: First, it is not possible to add after the fact, in retrospect, a clause to an agreement compelling profit sharing. Second, Jacob signed the agreement voluntarily and of his own free will after the final draft was sent to him several days prior to it being signed. Third, the clause that was deleted from the final signed agreement mentioned convening a Board of Directors meeting to discuss the distribution of profits and did not force profit distribution. Thus, it is not possible to claim the distribution of profits in this lawsuit.

After several exhausting years of court hearings and extensive pressure, a ruling rejecting Jacob's claim was given on April 10 2016. Our clients won a landslide judgment, and our firm was proud to be awarded one more significant ruling in favor of our clients.

(Case 2093-02-13 Jacob Rinot V. Uri Rinot and others, The Magistrate Court in Rishon Lezion, ruled by the Honorable Judge Erez Yekuel. Verdict was given on April 10, 2016.)