

## **Preventing Loss of Federal Trademark and Service Mark Rights**

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### **Introduction**

Upon receiving a federal trademark or service mark registration from the United States Patent and Trademark Office, mark owners should take steps to maintain these rights. Separating the tasks into two categories helps organize the steps mark owners should undertake to minimize loss of rights in their marks. First, mark owners can minimize loss of rights in their marks by properly maintaining the marks. Second, mark owners can prevent loss of rights in their marks by monitoring third parties who attempt to use their marks or confusingly similar variations of their marks.

### **Actions Mark Owners Can Take to Minimize Loss of Rights by Properly Maintaining the Mark**

To minimize loss of their trademark and service mark rights, mark owners should continuously use their marks and maintain adequate quality control of the goods or services provided by their licensees. In addition, mark owners who wish to acquire a mark from a third party should make sure the assignment transfers the mark along with its goodwill. Mark owners should use their marks as source indicators, maintain a continuous commercial impression by minimizing format changes, and maintain a similar style or quality of goods or services sold

under their marks. Mark owners should also take steps to satisfy the PTO's requirements for maintaining their registrations.

***Avoid “non-use” and interrupted use of the mark***

To obtain a federal registration, applicants must use their marks in commerce in connection with all of the items recited in the application.<sup>1</sup> To maintain the federal registration, mark owners must continue commercial use of their marks. For trademarks, this requires continued placement of the mark in or on the goods, containers, or documents associated with the recited goods.<sup>2</sup> For service marks, this requires continued use or display of the mark in selling or advertising the recited services.<sup>3</sup> If mark owners fail to maintain use of their marks in the United States for a sufficient period of time and intend not to resume usage, abandonment may result from “non-use.”<sup>4</sup> The reasonableness of the length of non-use depends on the industry and the circumstances encompassing use of the mark.<sup>5</sup> Lack of use for more than three years is *prima facie* evidence of abandonment.<sup>6</sup>

If usage of a mark is interrupted and the mark is subsequently deemed abandoned, the mark owner cannot revive the original rights in the mark following the non-use period.<sup>7</sup> In other words, where a period of non-use results in abandonment, subsequent use of the mark cannot revive the original rights in the mark.<sup>8</sup> The subsequent use “represents a new and separate use with a new date of first use.”<sup>9</sup>

Courts, however, are generally reluctant to find abandonment after non-use if objective evidence suggests that use of the mark will resume. Modern cases shift from the owners' subjective intent to an objective examination of the evidence of intent to resume use.<sup>10</sup> Courts examine “the totality of objective evidence of intent to resume use, not simply the intent of the registered trademark owner.”<sup>11</sup> Therefore, any valid intent to resume use within a reasonable

time becomes relevant in determining whether a mark has been abandoned.<sup>12</sup> In *EH Yacht v. Egg Harbor*,<sup>13</sup> the court determined that a creditor's intention to resume commercial trademark usage within a reasonable time was relevant evidence of intent to resume use of the mark. The creditor's conduct became relevant from the day after the mark owner stopped production due to bankruptcy until a third party purchased the mark owner's assets.<sup>14</sup> The court held that the mark was not abandoned.

### ***Avoid uncontrolled licensing of the mark***

Mark owners should take steps to ensure that the quality of any goods or services provided by their licensees is representative of the goods or services recited in the owners' registration.<sup>15</sup> Uncontrolled or "naked" licensing results when the mark owner (*i.e.*, the licensor) fails to adequately control the quality of its licensees' goods or services.<sup>16</sup> Where a licensee changes the quality of goods or services connected to usage of the licensor's mark and the licensor fails to exercise adequate quality control over the licensee's actions, the mark may cease functioning as a symbol of quality and representing a single, controlled source.<sup>17</sup> Consequently, the mark owner may unintentionally cause the mark to be abandoned and become prevented from asserting rights in the mark.<sup>18</sup>

The amount of control that mark owners are required to undertake to adequately maintain quality control over their licensees varies with the market and the business type.<sup>19</sup> Possible methods mark owners may use to retain quality control include relying on the licensees, undertaking direct supervisory control, involving third party oversight, and requiring contractual provisions regarding quality control.<sup>20</sup>

In *Barcamerica v. Tyfield*, a trademark owner granted its licensee the non-exclusive right to use its mark but included no quality control provision in the license agreement.<sup>21</sup> No evidence

suggested the mark owner was familiar with or relied upon its licensee's efforts to control the quality of the wine the licensee produced under its mark.<sup>22</sup> Since the terms of the license and the manner in which they were carried out resulted in naked licensing, the court estopped the mark owner from asserting any rights in its mark.<sup>23</sup>

### ***Avoid receiving a mark via assignment without goodwill***

A party who wishes to acquire a mark from a third party via an assignment should make sure the assignment transfers the mark along with the goodwill associated with the mark.<sup>24</sup> The goodwill of a mark symbolizes the specific nature and quality of goods or services connected with the mark.<sup>25</sup> A sale of mark rights apart from the goodwill symbolized by the mark is known as an "assignment in gross".<sup>26</sup> An assignment in gross is invalid and passes no rights to the purported assignee.<sup>27</sup> If the assignee enters into an invalid assignment, the assignee (*i.e.*, the subsequent mark owner) can only rely on its own date of first use for priority purposes and not back to the assignor's date of first use.<sup>28</sup> The inability to rely on the assignor's priority date may affect the assignee's ability to challenge third party usage of the mark.<sup>29</sup>

Once the assignee receives the mark and goodwill, the assignee must maintain the mark's goodwill by continuing to use the mark as used by the prior owner.<sup>30</sup> To sustain continuous use, the assignee can only use the assigned mark in connection with goods or services of a similar nature and quality as those sold by the prior owner under the mark.<sup>31</sup>

In *Sugar Busters v. Brennan*,<sup>32</sup> the court held that a service mark purchased by the assignee was invalid because the goodwill was not transferred with the mark. The court also concluded that the assignee failed to maintain the mark's goodwill because the assignee did not provide a service substantially similar to the assignor's service.<sup>33</sup> The court noted that the "transfer of goodwill requires only that the services be sufficiently similar to prevent consumers

of the service offered under the mark from being misled from established associations with the mark.”<sup>34</sup> The mark was held invalid, and the assignee was prevented from bringing an infringement claim against a third party.

### ***Avoid generic use of the mark***

Trademark and service mark owners should properly use their marks as source indicators for the specific products or services recited in their registration. Mark owners should not use their marks as generic names such as noun forms of the mark and adjectives that refer to the category or class of goods or services.<sup>35</sup> If the mark owner improperly uses its mark in a generic manner, the consuming public may also describe the product or service in this form. Eventually, the mark may become the generic name for the goods or services recited in the registration, and the mark may be deemed abandoned.<sup>36</sup>

### ***Avoid substantially changing the format of the mark***

Trademark and service mark owners may change the format of their marks but must not substantially change the format.<sup>37</sup> Where material modifications to the mark occur, the mark owner may be prevented from claiming priority of use from the earlier form of the mark because the newer mark may form a different commercial impression than the earlier mark.<sup>38</sup> If the modifications are sufficiently material, the owner may be prevented from “tacking” or claiming priority from the earlier mark, and the earlier mark may be deemed abandoned.<sup>39</sup> In contrast, where a continuous commercial impression is maintained with a format change in the mark, priority can be dated to the earlier mark and abandonment can be avoided.<sup>40</sup> Also, substantial format changes in the mark may affect a mark owner’s ability to meet the PTO requirement of continued use of the mark.<sup>41</sup>

In *Brookfield v. West Coast*, the court found that the marks “The Movie Buff’s Movie Store” and “moviebuff.com” were different “in that the latter contains three fewer words, drops the possessive, omits a space, and adds “.com” to the end.”<sup>42</sup> Because the owner could not show that consumers view the marks as identical, the owner could not tack its priority in “The Movie Buff’s Movie Store” onto “moviebuff.com.”

***Avoid substantially changing the type, quality, or style of goods or services sold under the mark***

Although trademark and service mark owners can make minor changes to the goods or services sold under their marks, substantial changes in the quality or type of goods or services sold under a mark may result in abandonment.<sup>43</sup> Mark owners cannot broaden the scope of their rights to include substantially changed goods or services where these goods or services were not initially recited in the registration.<sup>44</sup> Trademarks and service marks symbolize a certain quality and type of goods and services. If the quality or type of goods or services changes substantially, abandonment may result as the mark may cease to represent a certain type or quality level.<sup>45</sup> Minor changes in the type of goods or services, the quality level, or the style of goods or services generally do not result in abandonment.<sup>46</sup> Mark owners may amend their registrations to clarify or limit the goods or services recited in their registrations to reflect minor changes, but substantial changes may affect the mark owner’s ability to meet the PTO’s requirements for continued use of the mark.<sup>47</sup>

In *Ralston v. On-Cor*, a change in Ralston’s cat food formulation did not constitute trademark abandonment.<sup>48</sup> The mark owner changed its formulation from dry cat food to cat food having a dry gravy coating.<sup>49</sup> The new cat food was served dry, or the consumer could add water to the cat food to make gravy with the cat food.<sup>50</sup> The Federal Circuit held that “the

inherent and identifiable character of the goods remain the same” and concluded that the change did not result in abandonment.<sup>51</sup>

### *Avoid failure to satisfy requirements of the PTO*

Federally registered trademark and service mark owners need to timely file certain papers with the PTO to maintain their registrations. Mark owners need to make sure they undertake proper usage of their marks so they will be able to comply with the PTO’s filing requirements.

After the end of the fifth year but before the end of the sixth year following registration, the registered mark owner must file a § 8 affidavit.<sup>52</sup> In the § 8 affidavit, mark owners must state that they are using the mark for the exact goods or services recited in the registration to prevent the PTO from refusing the affidavit as representing use for different goods or services.<sup>53</sup> Whether the PTO will accept a § 8 affidavit for a mark which has changed format depends on the degree of change.<sup>54</sup> Where non-use has occurred and the owner wants to avoid cancellation of the registration for non-use, the § 8 affidavit must show special circumstances that excuse non-use and lack of intent to abandon the mark.<sup>55</sup>

If a mark has been in continuous use in commerce for at least five consecutive years, a § 15 affidavit of incontestability may be filed.<sup>56</sup> Registered mark owners may elect to file a § 15 affidavit to take advantage of the benefits of incontestability which include conclusive evidence of the registered mark’s validity and the registrant’s ownership of the mark.<sup>57</sup>

Registered mark owners need to renew their registrations by filing a § 9 renewal during the one-year period prior to the registration’s expiration.<sup>58</sup> A mark owner only needs to include a list of the goods or services which are being used in the § 9 renewal if the renewal application is intended to cover less than all the goods or services recited in the registration.<sup>59</sup> A § 9 renewal cannot list goods or services that are not listed in the registration.<sup>60</sup>

## **Actions a Mark Owner Can Take to Prevent Loss of Rights by Stopping Third Party Usage**

To minimize loss of rights in their federally registered trademarks or service marks, mark owners should monitor third parties who attempt to use their marks or confusingly similar variations of their marks.

### ***Monitor third party applications within the PTO***

Mark owners should search for applications which are pending within the PTO that potentially infringe or conflict with their marks. The PTO's Official Trademark Gazette can aid a mark owner in searching for such pending applications. The weekly Official Trademark Gazette publishes a list of marks that have been approved by the PTO for publication, the goods or services recited in the application, and the date of alleged first use for use-based applications.<sup>61</sup> Mark owners may also retain search firms to monitor published applications and alert mark owners of potentially conflicting marks.<sup>62</sup> When a potentially conflicting mark is discovered through this monitoring process, the mark owner may wish to take action to prevent registration of the potentially conflicting mark because unconsented uses progressively weaken the mark's strength.<sup>63</sup>

One option available to the registered mark owner who discovers a pending application for a conflicting mark is to send a cease and desist letter to the applicant requesting the applicant to abandon its application and move to another non-confusing mark.

Another option for the registered mark owner is to initiate an opposition proceeding before the Trademark Trial and Appeal Board (T.T.A.B.) within the PTO to try to prevent the application from maturing into a registration.<sup>64</sup> To oppose the third party application, a notice of opposition must be filed within thirty days, subject to extension, from the date of the mark's publication in the Official Gazette.<sup>65</sup> To file a notice of opposition, the owner must have

standing and valid grounds to oppose the third party application.<sup>66</sup> To succeed in the opposition proceeding, the mark owner “bears the burden of establishing that the applicant does not have the right to register its mark.”<sup>67</sup> If the mark owner chooses not to oppose the third party application, the application will mature into a registration.

### ***Seek to cancel conflicting subsequent registrations***

Where a prior mark owner learns that a potentially conflicting mark has been registered with the PTO, the prior owner may wish to send a cease and desist letter to the owner of the subsequent registration requesting that it stop using the subsequently registered mark. The prior owner may also bring a cancellation proceeding before the T.T.A.B.<sup>68</sup> To do so, the mark owner must have standing and valid grounds for canceling the third party registration.<sup>69</sup> To prevail, the prior mark owner must overcome any presumptions that arise from having a federal registration such as the validity of the registration.<sup>70</sup> The grounds for cancellation that are available to the prior owner depend on the number of years the subsequent mark has been registered on the Principal Register.<sup>71</sup> Marks that have been registered for less than five years on the Principal Register may be challenged on any ground that could have initially prevented the mark from being registered.<sup>72</sup> After five years of registration on the Principal Register, a petition to cancel will only be approved on limited grounds, such as the registered mark being generic, functional, or abandoned.<sup>73</sup>

### ***Monitor third party usage of the mark***

Mark owners may wish to take action against third parties who use their mark without consent or in a confusingly similar way.<sup>74</sup> Failure to police infringers can lead to loss of the mark owner’s rights as unconsented uses progressively weaken the mark’s strength and may cause the mark to become generic and abandoned.<sup>75</sup> After learning of the unconsented use, the

mark owner may choose to send a cease and desist request to the third party user or bring an infringement action against the third party user.

In *Hermes v. Lederer*, a trademark owner knew that third parties were selling copies of its handbags in 1979 and 1989 but did not bring suit until completion of its investigation in 1998 into whether these third parties were infringing.<sup>76</sup> The court found the mark owner's designs continued to indicate their source and that the mark owner vigorously pursued other manufacturers of knockoff goods despite the delay in acting upon this infringement.<sup>77</sup> Therefore, the court held that the mark owner's designs were neither generic nor abandoned.<sup>78</sup>

### ***Monitor improper generic uses of the mark by third parties***

Improper third party usage of the registered owner's trademark or service mark in a generic manner can lead to abandonment.<sup>79</sup> Unfortunately, mark owners have little recourse against third parties who use their marks in a generic sense in books, magazines, newspapers, or other media, and the Lanham Act offers no remedies against such non-commercial generic use.<sup>80</sup> One option mark owners can take in this situation is to send a letter to the media requesting that the third party not use the mark in a generic sense and providing instructions regarding proper word choice to be used in referencing the mark.<sup>81</sup> A letter from the mark owner to a newspaper that uses the owner's mark in a generic sense is relevant evidence of mark status.<sup>82</sup>

### **Conclusion**

Upon receiving a federal trademark or service mark registration, mark owners should take steps to protect their marks. By familiarizing themselves with the items detailed above, mark owners can help to prevent loss of their rights.

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<sup>1</sup> 15 U.S.C. § 1051 (1999).

<sup>2</sup> Trademark Manual of Examining Procedure § 901.01 (3<sup>rd</sup> ed., rev. 1 June 2002).

<sup>3</sup> TMEP § 901.01.

<sup>4</sup> 15 U.S.C. § 1127 (1999); *Levi Strauss & Co. v. GTFM, Inc.*, 196 F. Supp. 2d 971, 976 (N.D. Cal. 2002).

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<sup>5</sup> *Iowa Health Sys. v. Trinity Health Corp.*, 177 F. Supp. 2d 897, 919 (N.D. Iowa 2001).  
<sup>6</sup> 15 U.S.C. § 1127 (1999); *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 575 (6<sup>th</sup> Cir. 2000).  
<sup>7</sup> 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 17:3 (4<sup>th</sup> ed. 1996 & Supp. 2002).  
<sup>8</sup> 2 MCCARTHY, *supra*, at § 17:3.  
<sup>9</sup> 2 MCCARTHY, *supra*, at § 17:4.  
<sup>10</sup> *EH Yacht, LLC v. Egg Harbor, LLC*, 84 F. Supp. 2d 556, 566 (D.N.J. 2000).  
<sup>11</sup> *EH Yacht*, 84 F. Supp. 2d at 566.  
<sup>12</sup> *EH Yacht*, 84 F. Supp. 2d at 566; 2 MCCARTHY, *supra*, at § 17:11.  
<sup>13</sup> *EH Yacht*, 84 F. Supp. 2d at 567.  
<sup>14</sup> *EH Yacht*, 84 F. Supp. 2d at 567.  
<sup>15</sup> TMEP §§ 1201.03, 1201.03(f).  
<sup>16</sup> TMEP § 1201.03(f).  
<sup>17</sup> 2 MCCARTHY, *supra*, at § 18:48.  
<sup>18</sup> 2 MCCARTHY, *supra*, at § 18:48.  
<sup>19</sup> 2 MCCARTHY, *supra*, at § 18:55.  
<sup>20</sup> 2 MCCARTHY, *supra*, at §§ 18:56-18:60.  
<sup>21</sup> *Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589, 596 (9<sup>th</sup> Cir. 2002).  
<sup>22</sup> *Barcamerica Int'l*, 289 F.3d at 596.  
<sup>23</sup> *Barcamerica Int'l*, 289 F.3d at 597.  
<sup>24</sup> 2 MCCARTHY, *supra*, at § 18:15.  
<sup>25</sup> *EH Yacht*, 84 F. Supp. 2d at 567.  
<sup>26</sup> 2 MCCARTHY, *supra*, at § 18:17.  
<sup>27</sup> 2 MCCARTHY, *supra*, at § 18:17.  
<sup>28</sup> 2 MCCARTHY, *supra*, at § 18:18.  
<sup>29</sup> 2 MCCARTHY, *supra*, at § 18:18 (priority of use is also important if the assignee is challenged by a third party).  
<sup>30</sup> 2 MCCARTHY, *supra*, at § 18:15.  
<sup>31</sup> 2 MCCARTHY, *supra*, at § 18:27.  
<sup>32</sup> *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 266 (5<sup>th</sup> Cir. 1999).  
<sup>33</sup> *Sugar Busters*, 177 F.3d at 266.  
<sup>34</sup> *Sugar Busters*, 177 F.3d at 266.  
<sup>35</sup> TMEP §§ 1209, 1209.01.  
<sup>36</sup> 15 U.S.C. §§ 1051, 1127 (1999).  
<sup>37</sup> 2 MCCARTHY, *supra*, at § 17:26.  
<sup>38</sup> 2 MCCARTHY, *supra*, at § 17:26.  
<sup>39</sup> 2 MCCARTHY, *supra*, at § 17:26.  
<sup>40</sup> 2 MCCARTHY, *supra*, at § 17:26.  
<sup>41</sup> TMEP § 1607.02.  
<sup>42</sup> *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1049 (9<sup>th</sup> Cir. 1999).  
<sup>43</sup> 2 MCCARTHY, *supra*, at § 17:24.  
<sup>44</sup> TMEP § 1609.02.  
<sup>45</sup> 2 MCCARTHY, *supra*, at § 17:24.  
<sup>46</sup> 2 MCCARTHY, *supra*, at § 17:24.  
<sup>47</sup> TMEP §§ 1402.06, 1609.02.  
<sup>48</sup> *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801, 807 (Fed. Cir. 1984).  
<sup>49</sup> *Ralston Purina*, 746 F.2d at 803.  
<sup>50</sup> *Ralston Purina*, 746 F.2d at 803.  
<sup>51</sup> *Ralston Purina*, 746 F.2d at 807.  
<sup>52</sup> 15 U.S.C. § 1058 (1999); TMEP § 1604.01 (allowing six-month grace period after six year time period).  
<sup>53</sup> TMEP § 1604.09.  
<sup>54</sup> TMEP § 1604.13.  
<sup>55</sup> TMEP § 1604.11.  
<sup>56</sup> TMEP § 1605.03.  
<sup>57</sup> TMEP § 1605; 15 U.S.C. § 1115 (1999).  
<sup>58</sup> TMEP § 1606.03 (allowing six-month grace period after the expiration of the registration).

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- <sup>59</sup> TMEP §§ 1606.08, 1606.08(b) (“If no goods or services are specified in the renewal application, it will be presumed that renewal is sought for all the goods or services in the registration.”).
- <sup>60</sup> TMEP § 1606.08(d).
- <sup>61</sup> 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 20:4 (4<sup>th</sup> ed. 1996 & Supp. 2002).
- <sup>62</sup> 3 MCCARTHY, *supra*, at § 20:4.
- <sup>63</sup> 15 U.S.C. §§ 1064, 1127 (1999).
- <sup>64</sup> Trademark Trial and Appeal Board Manual of Procedure § 311 (1<sup>st</sup> ed. 1995).
- <sup>65</sup> TBMP § 307.01.
- <sup>66</sup> TBMP §§ 303.01, 303.03 (standing exists when the owner believes damages result from the registration of the third party’s mark); *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 945 (Fed. Cir. 2000); 3 MCCARTHY, *supra*, at § 20:46.
- <sup>67</sup> *Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 1361 (Fed. Cir. 2001); *Valu Eng’g v. Rexnord Corp.*, 278 F.3d 1268, 1279 (Fed. Cir. 2002).
- <sup>68</sup> TBMP § 311.
- <sup>69</sup> TBMP § 303 (standing exists if the owner believes damages result from another’s trademark registration); *Cunningham*, 222 F.3d at 945; 3 MCCARTHY, *supra*, at § 20:46.
- <sup>70</sup> 15 U.S.C. §§ 1057(b), 1064 (1999); 3 JEROME GILSON ET AL., TRADEMARK PROTECTION AND PRACTICE § 9.01[2][a] (2001) (“There is no rule that establishes different burdens of proof for a cancellation petitioner versus an opposer. However the fact that a registrant enjoys the benefits of various Lanham Act presumptions, and possibly other benefits from length of use of the mark, will frequently make the task of a cancellation petitioner more difficult than that of an opposer.”); 3 MCCARTHY, *supra*, at § 20:64.
- <sup>71</sup> TBMP § 308.02.
- <sup>72</sup> TBMP § 308.02(a) (grounds for cancellation include but are not limited to 15 U.S.C. §§ 1052(d), 1052(e), no bona fide use of respondent’s mark in commerce prior to the filing of the application for registration, and respondent is not the rightful owner of the registered mark).
- <sup>73</sup> 15 U.S.C. § 1064 (1999) (listing additional grounds for cancellation); 3 MCCARTHY, *supra*, at § 20:55.
- <sup>74</sup> 15 U.S.C. § 1114 (1999) (listing grounds for infringement).
- <sup>75</sup> 15 U.S.C. §§ 1064, 1127 (1999).
- <sup>76</sup> *Hermes Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 106 (2<sup>nd</sup> Cir. 2000).
- <sup>77</sup> *Hermes Int’l*, 219 F.3d at 106.
- <sup>78</sup> *Hermes Int’l*, 219 F.3d at 106.
- <sup>79</sup> 2 MCCARTHY, *supra*, at § 12:29.
- <sup>80</sup> 2 MCCARTHY, *supra*, at § 12:28.
- <sup>81</sup> 2 MCCARTHY, *supra*, at § 12:28.
- <sup>82</sup> 2 MCCARTHY, *supra*, at § 12:28.