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WHO OWNS THE MARK? A SINGLE FRAMEWORK FOR RESOLVING TRADEMARK OWNERSHIP DISPUTES

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I. INTRODUCTION

When a band breaks up, a joint enterprise dissolves, or a manufacturer-distributor relationship ends, one significant question may be exceedingly difficult to resolve: who owns the trademark?

Examination of current case law demonstrates that courts are resolving trademark ownership questions unpredictably and inconsistently. For example, some courts have ignored the fact that a suit is really about ownership of one trademark and have treated the suit as a dispute involving two different marks that are owned by two different entities.[1] Some courts have treated the trademark as a bare property right that can be bargained for without considering the consumer's stake in the question.[2] Other courts have considered it to be merely a question of ownership of the controlling share of stock.[3]

There is one particular area of trademark law in which ownership questions often arise: the manufacturer-distributor relationship. As a result, there is a well-settled legal framework that is used to decide which of the two parties, the distributor or the manufacturer, is the true owner of the mark. The evidentiary factors first identified in *Wrist-Rocket Manufacturing Co. v. Saunders*,[4] and developed in later cases, are used to examine and weigh a wide variety of facts that have been identified as relevant to the ultimate legal conclusion. This article will suggest that this

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1. *See, e.g.*, *John Curry Skating Co. v. John Curry Skating Co.*, 626 F. Supp. 611, 614 (D.D.C. 1985) (defining the legal question as whether there is a likelihood of confusion between the disputing parties).

2. *See, e.g.*, *Connelly v. ValueVision Media, Inc.*, 73 U.S.P.Q.2d 1198, 1202-03 (D. Minn. 2004) (holding that the contract is dispositive).

3. *See, e.g.*, *Rare Earth, Inc. v. Hoorelbeke*, 401 F. Supp. 26 (S.D.N.Y. 1975).

4. 379 F. Supp. 902 (D. Neb. 1974), *aff'd in part and rev'd in part*, 516 F.2d 846, *cert. denied*, 423 U.S. 870, 96 S. Ct. 134, 46 L. Ed. 2d 100 (1975).

"*Wrist-Rocket* framework" is well-suited for resolving disputes arising in all types of situations in which two parties claim ownership of the same trademark,[5] including the dissolution of formerly cooperative relationships, in licensing situations, and when there have been assignments. A predictable analytical framework for ownership disputes will allow the parties to assess more effectively the strength of their case before litigation, to inform their understanding on what type of evidence is probative, and to provide a logical and orderly decision-making process.

Part II of the article will review some exemplar cases in which courts were forced to decide which of two competing parties should be allowed to continue using a trademark after the end of a cooperative relationship, demonstrating that presently there is no predictable jurisprudence for answering the question. Part III of the article will then review the case law developed to date to decide trademark ownership conflicts in the manufacturer-distributor arena. Part IV will show how the framework successfully balances all trademark stakeholders' interests and will conclude with a slightly modified proposed framework to be used in any situation in which ownership of a trademark is disputed. Part V will re-examine the same cases discussed in Part II to demonstrate that the analytical framework developed in the manufacturer-distributor arena is easily adapted to these and other types of cases where identifying the true owner of a mark is required. The article concludes with the suggestion that the *Wrist-Rocket* factors be adopted as the universal test of trademark ownership in the United States.

II. THE UNPREDICTABILITY OF TRADEMARK OWNERSHIP CLAIMS IN FORMERLY COOPERATIVE RELATIONSHIPS

The question of who has the right to use a trademark after a relationship ends can arise in a number of different areas:

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5. In this article, the author assumes that two disputing parties cannot both continue to use a trademark, and, instead, the court must decide which party has a better claim to this single asset. *See Liebowitz v. Elsevier Science Ltd.*, 927 F. Supp. 688, 696 (S.D.N.Y. 1996) (in deciding who owned the trademark for a series of scientific journals, parsing the problem as a question of whether the trademark signified the plaintiffs, in which case the public would be deceived by defendants' continued publication of the journals; whether the trademarks signified the defendants, in which case the plaintiffs were entitled to no relief; or whether the source identified was not uniquely the plaintiffs' or the defendants' but a combination of their joint efforts, in which case neither party would be entitled to use the mark without the other); *see generally* 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§ 16:43-16:44 (4th ed. 2004) [hereinafter *McCarthy*] (explaining the "traditional view" that a trademark is divisible upon dissolution of an entity and the "modern view" that it is not).

employer-employee, landlord-tenant, advertising agent-client, joint venture agreements, and bands, to name a few.[6] This article will review three cases in which two parties claimed ownership of the same trademark: *Connelly v. ValueVision Media, Inc.*,[7] an employer-employee dispute; *John Curry Skating Co. v. John Curry Skating Co.*,[8] a co-venturer dispute; and *Rick v. Buchansky*,[9] a dispute between band members. The cases selected will demonstrate how courts have struggled to reach a fair outcome by applying legal principles that were poorly chosen to resolve an ownership dispute, sometimes stretching the legal standard to reach a fair outcome.[10]

A. Connelly v. ValueVision Media, Inc.[11]

The question of who owns a trademark may arise in the employer-employee relationship. In *Connelly v. ValueVision Media, Inc.*,[12] Karen Connelly was a home shopping network television program host who was selling jewelry for defendant ValueVision Media, d/b/a ShopNBC.[13] At first, Ms. Connelly had a written employment agreement that provided that trademarks "conceived or made by Employee during the employment period belong to the Employer," and that also included a non-competition clause.[14] Ms. Connelly later decided to develop her own line of jewelry and met with ShopNBC to discuss her plan.[15] The parties agreed that Ms. Connelly would develop her own line of jewelry that would be manufactured by a third party and sold to ShopNBC, then resold by Ms. Connelly on television.[16] The parties also ultimately renegotiated Ms. Connelly's employment contract to exclude from ShopNBC's ownership "all inventions or innovations developed by Employee solely as part of her involvement with Outside Interests

6. *See* 2 *McCarthy*, *supra* note 5, §§ 16:35–16:45 (identifying various types of ownership relationships).

7. 73 U.S.P.Q.2d 1198 (D. Minn. 2004).

8. 626 F. Supp. 611 (D.D.C. 1985).

9. 609 F. Supp. 1522 (S.D.N.Y. 1985).

10. *See, e.g.*, *John Curry Skating Co. v. John Curry Skating Co.*, 626 F. Supp. 611, 615-16 (D.D.C. 1985) (holding that "a higher showing is required to establish secondary meaning in a personal name mark," where skater John Curry and a former corporate partner were both claiming successor rights to the name "John Curry" for a skating show).

11. 73 U.S.P.Q.2d 1198 (D. Minn. 2004).

12. *Id.*

13. *Id.* at 1199.

14. *Id.*

15. *Id.* at 1200.

16. *Id.*

. . . ."[17] "Outside Interests" was defined, in part, as "the business that she owns, which is a business engaged in the sale of jewelry . . . on television and through the internet."[18]

Ms. Connelly sold her jewelry on ShopNBC between 2002 and 2004 but then resigned.[19] After Ms. Connelly's resignation, ShopNBC continued to air the show and to sell jewelry under the mark SINCERELY YOURS, KAREN, although it later shortened the mark to SINCERELY YOURS.[20]

Ms. Connelly planned to sell her jewelry on a competitive network after the non-competition clause in her ShopNBC employment contract expired,[21] so she sued ShopNBC under Section 43(a) of the Lanham Act to enjoin ShopNBC's use of the SINCERELY YOURS mark.[22]

In its decision, the court acknowledged that Ms. Connelly had to demonstrate a likelihood that she could prove ownership of a valid trademark, but the court identified no legal standard for ascertaining who actually owned the SINCERELY YOURS, KAREN mark.[23] In its opinion and order granting a motion for a temporary restraining order against ShopNBC, the court considered only the two employment contracts, holding that the second contract clearly contemplated an agreement that Ms. Connelly would own the SINCERELY YOURS, KAREN mark.[24] The court did not consider, however, what consumers might have thought about the source of the goods.

B. **John Curry Skating Co. v. John Curry Skating Co.**[25]

John Curry was the star of a distinctive ice show that had an ensemble of balletic skaters.[26] Mr. Curry and his business partners formed Symphony on Ice, Inc. ("Symphony on Ice") to promote and

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17. *Id.*

18. *Id.*

19. *Id.*

20. *Id.*

21. *Id.* at 1200.

22. *Id.* at 1201.

23. *Id.*

24. *Id.* at 1202-03 (noting that the contract, which referred to "the business that [Ms. Connelly] owns, which is a business engaged in the sale of jewelry and related consumer products on television and through the internet and through other means of distribution," stated that ShopNBC "consents to Employee's ownership and participation in the above described Outside Interests," and exempted the intellectual property in Ms. Connelly's "Outside Interests" from ownership by ShopNBC, was properly interpreted as being the parties' agreement that Ms. Connelly owned the SINCERELY YOURS, KAREN mark).

25. 626 F. Supp. 611 (D.D.C. 1985).

26. *Id.* at 613.

present these skating performances.[27] Symphony on Ice then executed an exclusive contract with Frozen Assets, Inc., John Curry's service company, for the rights to Mr. Curry's performances and his name for a period of three years.[28] Symphony on Ice ran up a significant debt, so the plaintiff, The John Curry Skating Co. ("JCS Company"), was formed as a non-profit entity to take over the promotion and production of the performances.[29]

JCS Company could not meet its financial obligations either, and the business partners were unable to resolve various other business disputes, so Mr. Curry ultimately resigned from the Board of Directors of JCS Company.[30] Mr. Curry then signed a contract with the Kennedy Center for the Performing Arts, where he and some of the former JCS Company skaters performed substantially the same skating show under the trade names "The John Curry Skating Company" and "The John Curry Skaters."[31] JCS Company brought a claim under Section 43(a) of the Lanham Act "for a determination of the rights in the name 'The John Curry Skating Company.'"[32]

The court's decision on the issue of the ownership of the name "John Curry" was based on an analysis of whether the plaintiff, the JCS Company, had established secondary meaning in either "The John Curry Skating Company" or "The John Curry Skaters" separate and apart from any secondary meaning established in the John Curry name alone.[33] The court decided that the burden for proving that a personal name has acquired a secondary meaning is higher than in other cases, and it held that the two and a half years of use, the half million dollars in promotion, and the critical praise received was not enough for JCS Company to have established secondary meaning.[34] JCS Company argued, unsuccessfully, that Mr. Curry's "celebrity value" should inure to its benefit, which the court interpreted as being a claim that the contract was an assignment of Mr. Curry's trademark rights in his name to JCS Company.[35] The court decided that rather than being

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27. *Id.*

28. *Id.*

29. *Id.* at 614.

30. *Id.*

31. *Id.* at 613.

32. *Id.* at 614.

33. *Id.* at 615.

34. *Id.* There was no suggestion in the case that the plaintiff had argued that "The John Curry Skating Company" and "The John Curry Skaters" were inherently distinctive marks.

35. *Id.*

a trademark assignment agreement, the contract was a personal performance contract for Mr. Curry and only a trademark license for use of his name for the term of the personal performance contract.[36]

The court thus analyzed the case as if it was a dispute between two unrelated companies who happened to be using similar marks, without seeming to recognize that the fundamental question was really who owned the trademark rights in the personal name JOHN CURRY.[37] Instead, the court's treatment of the issue would have allowed for the possibility that there were two different JOHN CURRY marks (one owned by the plaintiff and one owned by Mr. Curry), with the resolution coming from a likelihood of confusion analysis.[38] The court ultimately solved the problem by setting what probably would have been an insurmountable bar for showing secondary meaning, rather than by recognizing that the public associated the mark JOHN CURRY with the famous skater and not with the production company.[39]

C. Rick v. Buchansky[40]

The ownership of a musical band's name is perhaps one of the most difficult to analyze because of the collaborative nature of the band's work. There is also no consistent standard for ascertaining the ownership of band name marks. In some cases, the courts begin with a presumption that an artist or group generally owns its own name,[41] allowing exceptions only where the band's name has been assigned, transferred, or sold, or where the band is a "concept group," in which case the name belongs to the person or entity that conceived of both the concept and the name.[42] In other instances, the courts only consider "which party controls or

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36. *Id.* at 615-16.

37. *Id.*, *passim*. The court never discussed the relevance of "Skating Company" or "Skaters" as a component of the mark.

38. *Id.* at 614 (stating that the plaintiff needed to prove secondary meaning and likelihood of confusion).

39. *Id.* at 615-16.

40. 609 F. Supp. 1522 (S.D.N.Y. 1985).

41. *Bell v. Streetwise Records, Ltd.*, 640 F. Supp. 575, 581 (D. Mass. 1986); *see also Cheng v. Dispeker*, 35 U.S.P.Q.2d 1493, 1496 (S.D.N.Y 1995) (stating that "a mark which identifies entertainment services is owned by the members of a performing group if the mark is personal to the performers."). Note that the presumption would have been appropriate in *John Curry* but was not applied.

42. *Bell*, 640 F. Supp. at 581 (explaining different possibilities), *citing Kingsmen v. K-Tel International Ltd.*, 557 F. Supp. 178 (S.D.N.Y.1983), *Marshak v. Green*, 505 F. Supp. 1054 (S.D.N.Y.1981) and *Rare Earth, Inc. v. Hoorelbeke*, 401 F. Supp. 26 (S.D.N.Y. 1975); *see Cheng*, 35 U.S.P.Q.2d at 1496 (recognizing two different standards for ownership of band names).

determines the nature and quality of the goods which have been marketed under the mark in question," by first identifying the quality or characteristic for which a group is known by the public, then identifying who controls that quality or characteristic.[43] Finally, in yet other cases, the question is simply a matter of business organization law.[44] This is an area that could benefit from a settled standard, like the *Wrist-Rocket* factors.

Take, for example, *Rick v. Buchansky,*[45] where the plaintiff, David Rick, discovered four teenagers on a street corner in Brooklyn singing doo-wop and invited them to audition.[46] The teenagers ultimately agreed to allow Rick to become their manager and promoter.[47] They performed first as "The Salutations," but then changed their name to "Vito and the Salutations."[48] Three of the original four band members left in the first year, and the band's membership varied over the life of the band.[49] After a number of years, the four current members became unhappy with David Rick and left him for another manager, but continued to perform as "Vito and the Salutations."[50] Rick demanded that the four band members cease and desist and Rick formed another "Vito and the Salutations," but was unable to compete successfully with the existing group.[51] Rick ultimately sued the four departed band members and their new manager for trademark infringement.[52]

The court framed the question as who was the first to appropriate the mark VITO AND THE SALUTATIONS, further defining the question (in a *non sequitur*) as whether David Rick was the employer or an employee of the original band.[53] The court then reviewed the evidence and decided that Rick was not an employee, but instead, and to the extent that the relationship could be characterized as employer-employee, it was Rick who was

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43. *Bell*, 640 F. Supp. at 580-81.

44. *See, e.g.*, *Rare Earth, Inc. v. Hoorelbeke*, 401 F. Supp. 26, 47 (S.D.N.Y. 1975) (determining who has right to use band name "Rare Earth" by deciding who has controlling number of corporate shares); *Boogie Kings v. Guilory*, 188 So. 2d 445, 448-49 (La. App. 1966) (deciding who has right to use band name "Boogie Kings" by applying law of unincorporated associations).

45. 609 F. Supp. 1522 (S.D.N.Y. 1985).

46. *Id.* at 1526.

47. *Id.*

48. *Id.*

49. *Id.* at 1527.

50. *Id.* at 1528.

51. *Id.*

52. *Id.* at 1528-29.

53. *Id.* at 1532.

the employer and therefore the one who first appropriated the mark.[54]

Thus, in three different situations with fundamentally the same facts, the courts reached their respective conclusions in three very different ways: one as merely a contract dispute; another as a matter of likelihood of confusion; and yet another as a question of who first used a mark, which was answered by deciding whether a contesting party was an employer or employee. This wild unpredictability fosters uncertainty that leads to litigation because the parties may not even agree on how the question should be framed and resolved.

III. CASE LAW FOR RESOLVING DISPUTES IN THE MANUFACTURER-DISTRIBUTOR RELATIONSHIP

Trademark ownership disputes frequently arise in the manufacturer-distributor relationship,[55] perhaps because in this type of relationship both parties may have contributed to the source identity for the product: "The owner may be the manufacturer of the article to which the trade-mark is applied or the seller of goods of a particular manufacture or quality to which the distinguishing mark is applied."[56] As a consequence, there is a well-developed body of case law that is used to decide who has a better claim to ownership of a mark.

A. The Wrist-Rocket *Factors*

Wrist-Rocket Manufacturing Co. v. Saunders[57] was not the first case to decide a trademark ownership dispute between a

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54. *Id.* at 1533.

55. *See, e.g.*, *Watec Co., Ltd. v. Liu*, 403 F.3d 645 (9th Cir. 2005); *TMT North Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876 (7th Cir. 1997); *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217 (9th Cir. 1996); *Premier Dental Prods. v. Darby Dental Supply Co.*, 794 F.2d 850 (3d Cir. 1986); *E.F. Prichard Co. v. Consumers Brewing Co.*, 136 F.2d 512 (6th Cir. 1943), *cert. denied*, 321 U.S. 763, 64 S. Ct. 486, 88 L. Ed. 1060 (1944); *Tactica Int'l, Inc. v. Atlantic Horizon Int'l, Inc.*, 154 F. Supp. 2d 586 (S.D.N.Y. 2001); *Controls Int'l, Inc. v. Kinetrol, Ltd.*, No. Civ. A. 3:97-CV-2504-D, 1998 WL 158678 (N.D. Tex. March 25, 1998); *Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 34 U.S.P.Q.2d 1505 (N.D. Ill. 1994); *Omega Nutrition U.S.A., Inc. v. Spectrum Mktg., Inc.*, 756 F. Supp. 435 (N.D. Cal. 1991); *Energy Jet, Inc. v. Forex Corp.*, 589 F. Supp. 1110 (E.D. Mich. 1984); *Wrist-Rocket Mfg. Co. v. Saunders*, 379 F. Supp. 902 (D. Neb. 1974), *aff'd in part and rev'd in part*, 516 F.2d 846 (8th Cir.), *cert. denied*, 423 U.S. 870, 96 S. Ct. 134, 46 L. Ed. 2d 100 (1975) [hereinafter *Wrist-Rocket I*].

56. *Automated Prods.*, 34 U.S.P.Q.2d at 1513-14, *quoting United States Ozone Co. v. United States Ozone Co. of Am.*, 62 F.2d 881, 885 (7th Cir. 1933).

57. 379 F. Supp. 902 (D. Neb. 1974), *aff'd in part and rev'd in part*, 516 F.2d 846, *cert. denied*, 423 U.S. 870, 96 S. Ct. 134, 46 L. Ed. 2d 100 (1975).

manufacturer and distributor.[58] The *Wrist-Rocket* court did, however, consider a number of different facts in reaching its legal conclusion on ownership of the mark WRIST-ROCKET, which subsequent courts have identified and refined.

In *Wrist-Rocket*, a predecessor to the plaintiff, Howard Ellenburg, approached Charles Saunders, a principal of the defendant, about marketing an arm-braced slingshot that Ellenburg had invented and that was then being marketed as "Howard's Wrist Locker Slingshot."[59] Ellenburg and Saunders agreed that Saunders would market the slingshot, and Saunders chose a new name, WRIST-ROCKET.[60]

Ellenburg manufactured and packaged the devices and delivered them to Saunders for distribution.[61] Ellenburg registered the trademark WRIST-ROCKET in the United States Patent Office in his own name d/b/a Tru-Mark Mfg. Company.[62]

The relationship continued successfully for seventeen years, but was terminated by Saunders in late 1971.[63] Ellenburg then reverted to his original distributor and continued to manufacture and distribute the slingshot under the trademark WRIST-ROCKET.[64] Saunders also began to manufacture a similar device and marketed it under the same trademark.[65] Ellenburg sued.[66]

The district court began by acknowledging the general rule that priority of adoption and use determines who has superior trademark rights.[67] In answering the question of who had priority, however, the court's analysis was broad, looking at far more than mere chronology.[68]

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58. *See, e.g.*, *Atlas Beverage Co. v. Minneapolis Brewing Co.*, 113 F.2d 672, 677-78 (8th Cir. 1940) (involving a dispute between the beer brewer and distributor over ownership of a trademark for a brand of beer introduced jointly by the parties); *Distillers Brands v. American Distilling Co.*, 26 F. Supp. 988, 989 (S.D.N.Y. 1938) (regarding a dispute between a whisky manufacturer who suggested the brand name used by the distributor, who then purchased whisky from a different supplier and sold it under the same name).

59. *Wrist-Rocket I,* 379 F. Supp. at 905.

60. *Id.* at 905, 910.

61. *Id.* at 905.

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.* at 906.

66. *Id.*

67. *Id.* ("Priority of appropriation or priority of adoption and use are the most commonly accepted guideposts in determining the ownership of a particular trademark").

68. Compare the *Wrist-Rocket* court's approach to the usual type of priority cases, in which two parties arrived at the same or similar trademarks independently and the issue is the relative dates that each can claim it had a mark entitled to protection. *See, e.g.*, *Lucent Information Mgmt., Inc. v. Lucent Tech., Inc.,* 186 F.3d 311, 317 (3d Cir. 1999) (using a four-factor test "to determine whether the market penetration of a trademark in an area is

The *Wrist-Rocket* court first reviewed earlier cases that involved manufacturer-distributor disputes. It recognized one line of cases holding that where the manufacturer owns a trademark and enters into a distributorship relationship the distributor's right to use the mark ends when the relationship ends,[69] but the court found the cases of no help in resolving a situation in which the trademark was developed during the course of the relationship.[70]

The court next considered the written agreement that existed between the parties, but found that the agreement was also of no help because it did not address the ownership of the trademark.[71] The court next resorted to a number of other facts it considered relevant, including: who invented the mark and was the first to affix it to products;[72] whose name was on the packaging and promotional material;[73] who registered the mark;[74] whether the mark was used by one party on other products;[75] to whom purchasers turned for correction of defective products;[76] who paid for advertising;[77] and who maintained the quality and uniformity of the products.[78]

Summarizing its findings, the court found it determinative that Ellenburg, the manufacturer, did not have prior rights to the mark when the relationship began; that there was an absence of an agreement; that Saunders, the distributor, was the first to invent and affix the mark; that Saunders maintained the quality and uniformity of the product; and that the public understood that it was Saunders who stood behind and was the origin of the

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sufficient to warrant protection," considering "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area."); *Chance v. Pac-Tel Teletrac, Inc.*, 242 F.3d 1151, 1158 (9th Cir. 2001) (stating that a court should consider, first, adoption, and second, whether there was use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark).

69. *Wrist-Rocket I*, 379 F. Supp. at 909.

70. *Id.*

71. *Id.* at 910.

72. *Id.*

73. *Id.* at 910-11, 912.

74. *Id.* at 911-12.

75. *Id.* at 912.

76. *Id.*

77. *Id.* at 912-13.

78. *Id.* at 913.

product.[79] The court therefore held that despite Ellenburg's registration, Saunders was the owner of the mark.[80]

B. Refinement of the Wrist-Rocket *Factors*

In *Premier Dental Products Co. v. Darby Dental Supply Co.*,[81] the dispute was not between the manufacturer and the distributor, but between the distributor and a parallel importer.[82] The distributor claimed ownership of the mark IMPREGUM by an assignment of U.S. rights from the foreign manufacturer, so the defendant-parallel importer attacked the plaintiff-distributor's ownership in an effort to strip the distributor of standing to sue.[83]

The court therefore had to decide who possessed the goodwill in the mark, which it stated would be the party who controlled the nature and quality of the goods on which the mark appeared, or whom the public regarded as standing behind the mark.[84] The court also offered its opinion on the relationship between an agreement about ownership and the ultimate conclusion on ownership: it commented that the agreement, while being a demonstration of the parties' intent to create a perception, was only circumstantial evidence relevant to the ultimate question—what did the public *actually* perceive?[85] Thus, the agreement offered only evidence of the ownership of the mark, but was not dispositive.[86]

While the court neither listed any particular types of evidence that would assist it in deciding who owned the mark nor cited *Wrist-Rocket* as suggesting relevant categories, in its analysis the court did consider evidence showing which entity bore the burden of advertising the product,[87] which entity guaranteed

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79. *Id.* at 915.

80. *Id.*

81. 794 F.2d 850 (3d Cir.), *cert. denied*, 479 U.S. 950, 107 S. Ct. 436, 93 L. Ed. 2d 385 (1986).

82. *Id.* at 851.

83. *Id.* at 853.

84. *Id.* at 854.

85. *Id.*; *see Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 36 U.S.P.Q.2d 1714, 1715 (N.D. Ill. 1995) (stating that *Premier Dental* directs the court "to look not only to the agreement between the parties but also to goodwill; public perception and whether the distributor has obtained a valuable reputation").

86. *Premier Dental*, 794 F.2d at 854. The assignment from the foreign manufacturer to Premier stated that the purpose of the agreement was to permit Premier to "act against infringers and unauthorized importers of IMPREGUM trademarked products into the United States," forbade Premier from taking any action to dilute or damage the goodwill in the mark, and obligated Premier to reassign the mark back to the foreign manufacturer on 30 days' notice.

87. *Id.* at 855.

it,[88] and Premier's status as exclusive distributor.[89] The court ultimately decided that the U.S. distributor was the owner of the mark.[90]

Omega Nutrition U.S.A., Inc. v. Spectrum Marketing., Inc.[91] subsequently relied specifically on the *Wrist-Rocket* case in formulating its analysis. Recognizing in a dispute between a Canadian manufacturer and the American importer of flax seed oil that "the identity of the original owner of the mark [was] the precise question in dispute,"[92] the court cited *Wrist-Rocket* for factors that it would apply in making the ownership determination: "(1) which party invented and first affixed the mark onto the product; (2) which party's name appeared with the trademark; (3) which party maintained the quality and uniformity of the product; and (4) with which party did the public identify the product and make complaints."[93]

The court found that Spectrum, the distributor, created the trademark; that Spectrum's name was exclusively associated with the trademark during the term of the relationship; that Spectrum was responsible for maintaining the quality of the bottling of the flax seed oil; that customers complained to Spectrum; and that the manufacturer's printing of labels that identified Spectrum as the source, rather than itself, was an admission that Spectrum owned the mark.[94] The court therefore concluded that the distributor, Spectrum, was the owner of the mark in dispute.[95]

In *Sengoku Works Ltd. v. RMC International, Ltd.*,[96] the court collected and summarized all of the facts, which were identified in various earlier decisions, that it deemed relevant to this type of dispute. The court stated that the first inquiry should be whether there is an agreement between the parties.[97] In the absence of an agreement, the court stated that there is a presumption that a mark belongs to the manufacturer.[98] It then listed the following

88. *Id.*

89. *Id.*

90. *Id.* at 854-55.

91. 756 F. Supp. 435 (N.D. Cal. 1991).

92. *Id.* at 438.

93. *Id.* at 438-39.

94. *Id.* at 439.

95. *Id.*

96. 96 F.3d 1217 (9th Cir. 1996).

97. *Id.* at 1220.

98. *Id.* This presumption was commonly applied for foreign manufacturers. *See* 4 *McCarthy*, *supra* note 5, § 29:8. The *Sengoku* court, however, stated that the presumption applied across the board, but only cited cases involving foreign manufacturers and the *Wrist-Rocket* case for support. The *Wrist-Rocket I* case, which was indeed a domestic dispute, did not suggest that any presumption applied.

factors it had compiled to evaluate whether the presumption had been rebutted: (1) which party invented and first affixed the mark onto the product; (2) which party's name appeared with the trademark; (3) which party maintained the quality and uniformity of the product; and (4) with which party the public identified the product and to whom purchasers made complaints. It further stated that courts will also consider which party possesses the goodwill associated with the product or which party the public believes stands behind the product.[99]

The dispute was over which of the two parties owned a trademark for kerosene heaters. Suit was brought after the U.S. distributor, RMC, began affixing the mark to heaters not manufactured by Sengoku.[100] In Senkogu's favor were the facts that it first affixed the mark to heaters before RMC began distributing the heaters; that it exercised control over the product quality and uniformity; that it affixed the marks to the heaters; and that dealers in the business attributed heaters bearing the mark to Sengoku.[101] In favor of RMC, however, were the facts that only RMC's name appeared on the product and packaging, and that RMC handled all customer complaints and returns.[102] The court concluded that although it was a close question, the facts supported a jury's conclusion that the manufacturer Sengoku owned the trademark.[103] The *Sengoku* court's outline of the decisional process relevant to trademark ownership has been adopted by district courts within various circuits.[104]

C. The Manufacturer-Distributor Framework Now

Thus, in these types of disputes there are three areas for inquiry, none of which are determinative. First, courts are instructed to look to any agreement between the parties regarding trademark rights.[105] Nevertheless, although an agreement is

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99. *Sengoku*, 96 F.3d at 1220 (internal citations omitted), *citing Omega Nutrition*, 756 F. Supp. at 438-39, and *Premier Dental Prods. v. Darby Dental Supply Co.*, 794 F.2d 850, 854 (3d Cir.), *cert. denied*, 479 U.S. 950, 107 S. Ct. 436, 93 L. Ed. 2d 385 (1986).

100. *Sengoku*, 96 F.3d at 1218.

101. *Id.* at 1221.

102. *Id.*

103. *Id.*

104. *See, e.g.*, *Tactica Int'l, Inc. v. Atlantic Horizon Int'l, Inc.*, 154 F. Supp. 2d 586, 600 (S.D.N.Y. 2001); *Controls Int'l, Inc. v. Kinetrol, Ltd.*, No. Civ. A. 3:97-CV-2504-D, 1998 WL 158678, at *5 (N.D. Tex. March 25, 1998); *TMT North Am., Inc. v. Magic Touch GmbH, No.* 96 C 4502, 1997 WL 136315, at *9, *11 (N.D. Ill. Mar. 18, 1997), *rev'd on other grounds*, 124 F.3d 876 (7th Cir. 1997).

105. *Sengoku*, 96 F.3d at 1220, *citing Premier Dental Prods. v. Darby Dental Supply Co.*, 794 F.2d 850, 854 (3d Cir.), *cert. denied*, 479 U.S. 950, 107 S. Ct. 436, 93 L. Ed. 2d 385 (1986); 1 Jerome Gilson, *Trademark Protection and Practice* § 3.02[13] (1997) ("In general, ownership of a trademark in this commercial setting is a matter of agreement between the

important in settling the question of ownership, it is not dispositive: "The intent of the parties to create a perception that a particular firm is the legal entity standing behind the mark is not conclusive evidence of what the public actually did perceive but is circumstantial proof, absent evidence to the contrary, that what the parties intended to be the public perception was, in fact, their actual perception."[106]

In the absence of an agreement between the parties, the manufacturer is presumed to own the trademark.[107] This presumption, first developed in the foreign manufacturer/domestic distributor context, arises from an understanding that a mere importer and/or distributor will acquire no rights in a mark already used on imported goods by the foreign exporter in the absence of an assignment of the trademark rights.[108] The Court of

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manufacturer and distributor of the trademarked product. The courts defer to the intent of the parties, and give effect to any agreement which is negotiated to fit the particular circumstances.").

106. *Premier Dental*, 794 F.2d at 854, *quoting* Louis Altman, *Callmann on Unfair Competition, Trademarks and Monopolies* § 19.17 (4th ed. 1981). Professor McCarthy is in accord:

> In manufacturer-distributor ownership disputes, it is suggested that a correct resolution should turn on a balancing of two policy factors: (1) The Contractual Expectation Policy. When manufacturer and dealer create a contractual framework providing for exclusive ownership in one or the other, their legitimate expectations should be honored; (2) The Customer Perception Policy. The manner of trademark usage should be examined to determine whether customers perceive the mark to identify and distinguish the manufacturer or the distributor.

2 *McCarthy*, *supra* note 5, § 16:48; *T & T Mfg. Co. v. A.T. Cross Co.*, 449 F. Supp. 813, 827 (D.R.I.), *aff'd*, 587 F.2d 533 (1st Cir. 1978), *cert. denied*, 441 U.S. 908, 99 S. Ct. 2000, 60 L. Ed. 2d 377 (1979) (in deciding whether to rescind a contract, the court balances the public interest against confusion against the interest in enforcing contracts); *cf.* 2 *McCarthy*, *supra* note 5, § 16:38 ("Ownership of a service mark identifying a business carried on at rented premises will depend on a weighing of the policies of customer perception and contractual provisions between landlord and tenant."); *Times Mirror Magazines, Inc. v. Field & Stream Licenses Co.*, 294 F.3d 383, 396 (2d Cir. 2002) (stating that settlement agreements in trademark cases may be set aside if the public interest would be significantly injured if the contract is allowed to stand). *But see TMT North Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 884 n.4 (7th Cir. 1997) (stating that where the ownership is established by written agreement, the owner can lose rights by assignment or abandonment, but not by "some nebulous balancing test.").

107. *Sengoku*, 96 F.3d at 1220, *citing Energy Jet, Inc. v. Forex Corp.*, 589 F. Supp. 1110, 1116 (E.D. Mich. 1984), *Wrist-Rocket I*, 379 F. Supp. at 909, and *Automated Prods. Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 36 U.S.P.Q.2d 1714, 1716 (N.D. Ill. 1995); *see also TMT North Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 882 (7th Cir. 1997), *citing* 4 McCarthy, *supra* note 5, § 29:8.

108. *Roger & Gallet v. Janmarie, Inc.*, 245 F.2d 505, 509 (C.C.P.A. 1957); *Stromeyer & Arpe Co. v. Kitagumi Boeki Kabushiki Kaisa*, 144 U.S.P.Q. 360, 362 (D.D.C. 1964) ("And, in the absence of an acknowledgement, express or otherwise, by the manufacturer of the goods abroad that the trademark which it affixes to the goods is the property right of the exclusive distributor of all of the former's rights in the trademark in the United States together with the business and goodwill appurtenant thereto, it will be presumed that the manufacturer is the owner of the mark for such goods in the United States. That is to say, an exclusive

Appeals for the Ninth Circuit, however, expanded the presumption to include all manufacturers, foreign and domestic.[109]

It is possible, however, that a manufacturer will not always own the mark applied to the goods that it manufactures. Instead, a distributor may be the owner of the mark if the goods are manufactured for it, if it controls their production, or if the goods pass through the distributor's hands in the course of trade and the distributor gives the goods the benefit of its reputation, name or business style.[110] Thus, the presumption that the manufacturer owns the trademark is rebuttable.[111]

The types of information that will help the court determine whether the distributor has rebutted the presumption of the manufacturer's ownership, that are used where there is no contract, or that are balanced against the expression of the parties' intent in a contract, include the following: (1) which party invented and first affixed the mark onto the product;[112] (2) which party's

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distributor in the United States does not acquire ownership in the mark of a foreign manufacturer merely through importation and sale of the foreign-made goods bearing the mark anymore than a wholesaler can acquire ownership of the mark of an American manufacturer merely through the sale and distribution of the American-made goods bearing the manufacturer's mark."); 4 *McCarthy, supra* note 5, § 29:8.

109. *Sengoku*, 96 F.3d at 1220.

110. *Ilpak Research & Dev. S.A. v. Record SpA*, 762 F. Supp. 1318, 1322 (N.D. Ill. 1991); *see Menendez v. Holt*, 128 U.S. 514, 520, 9 S. Ct. 143, 144, 32 L. Ed. 526 (1888) (In holding that the distributor, not the manufacturer, owned the mark, the Court stated, "The brand did not indicate by whom the flour was manufactured, but it did indicate the origin of its selection and classification," and that the mark meant that "the skill, knowledge, and judgment of [the distributor] had been exercised in ascertaining that the particular flour so marked was possessed of a merit rendered definite by their examination, and of a uniformity rendered certain by their selection."); *cf. A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 692, 43 S. Ct. 244, 245, 57 L. Ed. 464 (1923) (in enjoining defendant's parallel importation of goods made by the plaintiff's supplier, recognizing the plaintiff's ownership of the mark when "the goods come from the plaintiff although not made by it"); *see generally* 2 *McCarthy*, *supra* note 5, § 16:46.

111. *Sengoku*, 96 F.3d at 1220.

112. *Id.* (stating that the plaintiff-manufacturer first affixed the mark to the product at least two years before the defendant-distributor began distributing the product); *Tactica Int'l, Inc. v. Atlantic Horizon Int'l, Inc.*, 154 F. Supp. 2d 586, 600 (S.D.N.Y. 2001) (noting that each party thought of one of the two names in dispute, but agreed jointly to use the names before production began); *Controls Int'l, Inc. v. Kinetrol, Ltd.*, No. Civ. A. 3:97-CV-2504-D, 1998 WL 158678, at *5 (N.D. Tex. March 25, 1998) (noting the plaintiff-distributor created and first affixed the mark to the product); *Wrist-Rocket I*, 379 F. Supp. at 910 (noting that the defendant-distributor invented the name "Wrist-Rocket" to replace the plaintiff-manufacturer's trademark "Howard's Wrist-Locker Slingshot").

A party may have preexisting trademark rights, albeit not priority in a legal sense. For example, as a general rule, trademarks are territorial. 1 Jerome Gilson, *Trademark Protection and Practice* § 3.02[2] (1997). Thus, the ownership of a trademark outside the United States will not be dispositive of the ownership within the United States. *Id.* ("Thus, trademark use outside the United States creates no priority rights or rights to protection in the United States."). It may be relevant, however, because the owner of foreign rights will be the first to invent or affix the mark, a factor that is not limited geographically. *See, e.g.*, *Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 34 U.S.P.Q.2d 1505, name appeared with the trademark on packaging and promotional materials;[113] (3) which party maintained the quality and

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1510 (N.D. Ill. 1994) (noting that the defendant first used the trademark outside of the United States). In other instances, the parties came to the relationship with an already existing mark, but there is a claim that the rights were transferred. *See, e.g.*, *TMT*, 124 F.3d at 883 (deciding that there was no implied assignment of the mark). In these situations, who had first trademark use is certainly of interest, although taken alone not necessarily dispositive.

The identity of the entity that invented the mark and first affixed it to the goods is not the same as adoption and use establishing trademark rights in the first instance. *See, e.g.*, *Wrist-Rocket I*, 379 F. Supp. at 913 (recognizing the difference between "invention" of the mark and adoption and use, but considering invention when deciding ownership); *Atlas Beverage Co. v. Minneapolis Brewing Co.*, 113 F.2d 672, 677-78 (8th Cir. 1940) ("[T]he genesis of the idea is material . . . as throwing light upon the [initial] transaction"); *but see Energy Jet, Inc. v. Forex Corp.*, 589 F. Supp. 1110, 1117 (E.D. Mich. 1984) (giving no weight to who thought of the trademark).

Confusing the matter, however, some courts in manufacturer-distributor disputes applying the *Wrist-Rocket* factors couch the ultimate legal conclusion as the identification of the senior user, *i.e.*, the one with priority. *See, e.g.*, *Sengoku*, 96 F.3d at 1219 (stating that the legal question was who had priority and holding that the plaintiff was the senior user of the trademark because it first affixed the mark, exercised control over the product quality and uniformity, and other dealers attributed ownership to the plaintiff); *Wrist-Rocket I*, 379 F. Supp. at 908 (holding that, upon consideration of the various facts presented by the parties, the defendant "adopted and used the mark" before the plaintiff), *aff'd in part and rev'd in part*, 516 F.2d 846, 850, 186 U.S.P.Q. 5 (8th Cir. 1975) [hereinafter *Wrist-Rocket II*] (affirming trial court's conclusion that, based on the facts presented, the defendant had established priority of appropriation and use); *Tactica Int'l*, 154 F. Supp. 2d at 599-601 (stating "It is well established that the standard test of ownership is priority of use" and proceeding to evaluate the *Wrist-Rocket* factors to ascertain which party owned the mark).

The question of priority is simply not implicated, however, because both parties are claiming rights in the same single trademark property, either one that came into existence during the relationship or was pre-existing but then used jointly. *See, e.g.*, *Liebowitz v. Elsevier Science Ltd.*, 927 F. Supp. 688, 695 (S.D.N.Y. 1996) (In an editor-publisher dispute, the court stated, "Although couched in the language of trademark infringement and unfair competition, this case in reality is a dispute about ownership of the principal assets of a business that plaintiffs and defendants have operated jointly for over twenty-five years. The parties are now, as they have been for many years, engaged in the joint production of one set of goods, marketed under the trademarks at issue."). Some courts nevertheless go through the exercise of treating the matter as involving two marks and trying to decide who has priority of use, concluding, not surprisingly, that neither party does. *See, e.g.*, *Omega Nutrition U.S.A., Inc. v. Spectrum Mktg., Inc.*, 756 F. Supp. 435, 438 (N.D. Cal. 1991) (after concluding that the manufacturer's "first use" was a shipment to the distributor, the court stated, "The Court is thus left with the same issue of which party possessed the superior right to the mark, based on factors other than first use."). The author suggests that, in ownership cases, the question should not be which of two parties has earlier use, but instead recognition that the dispute is over a single mark, which could only have one first use date, leaving the court to decide only which party is more entitled to its continued use.

113. *Sengoku*, 96 F.3d at 1221 (recognizing that only the defendant-distributor's name appeared on the product and packaging); *see Tactica Int'l*, 154 F. Supp. 2d at 600 (noting that only the plaintiff-distributor's house brand appeared on the packaging and in the manuals); *Controls Int'l*, 1998 WL 158678, at *5 (considering that the plaintiff-distributor's name was included on all promotional materials); *Wrist-Rocket I*, 379 F. Supp. at 910-11 (finding that the plaintiff-manufacturer had applied the defendant-distributor's name to the product).

uniformity of the product, including technical changes;[114] and (4) with which party the public identified the product and to whom purchasers made complaints.[115] Courts will also consider as one factor which party possesses the goodwill associated with the product, alternatively framed as which party the public believes stands behind the product.[116] Courts may also consider who paid for advertising[117] and what a party represented to others about the product.[118] No one factor is dispositive.[119]

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114. *Sengoku*, 96 F.3d at 1221 (stating that the plaintiff-manufacturer exercised control over the product quality and uniformity); *Tactica Int'l*, 154 F. Supp. 2d at 600-01 (finding that this factor favored the defendant-manufacturer, who developed the designs and tools and visited the factories to ensure the quality of the manufacturing process, although the plaintiff-distributor assisted the manufacturer in determining what the products' features would be); *Controls Int'l*, 1998 WL 158678, at *5 (recognizing that the plaintiff-distributor exercised control over the quality of a component, but that fact was weak evidence concerning which party controlled the quality of the product as a whole); *Wrist-Rocket I*, 379 F. Supp. at 913 (discussing at length what improvements were made to the "Wrist-Rocket" slingshot and who was responsible for them).

115. *Sengoku*, 96 F.3d at 1221. The court listed the two disjunctive elements as one factor; *but see Controls Int'l*, 1998 WL 158678, at *5 (listing the factor as only "which party the public believes stands behind the product"). *See Sengoku*, 96 F.3d at 1221 (noting that the plaintiff-manufacturer handled all customer complaints and returns); *Tactica Int'l*, 154 F. Supp. 2d at 600-01 (noting that the manuals included with the products directed the consumers to address all complaints, warranty claims or comments to the plaintiff-distributor); *Controls Int'l*, 1998 WL 158678, at *5 (finding that the plaintiff-distributor was the source of the installation, sales and support for the product); *Wrist-Rocket I*, 379 F. Supp. at 913 (noting that complaints for defects were made to the defendant-distributor).

116. *Sengoku*, 96 F.3d at 1221 (stating that the dealers in the business testified that they attributed the products bearing the disputed mark to the plaintiff-manufacturer), *citing Premier Dental Prods. v. Darby Dental Supply Co.*, 794 F.2d 850, 854 (3d Cir. 1986) (stating that "[t]hrough its long tenure as the exclusive domestic wholesaler of IMPREGUM, Premier has come to be, in the words of the district court, 'identified in the trade as the source through which IMPREGUM is obtained.' We take this to indicate that, in this country, the IMPREGUM trademark indicates that the goods bearing it come from Premier, although not made by it."); *see Tactica Int'l*, 154 F. Supp. 2d at 601 (finding that because the plaintiff-distributor sold its products to almost every major department store, retailer and most chain drug store operations in the United States, and the house brand was widely recognized in the industry, the distributor possessed the goodwill in the mark).

117. *Wrist-Rocket I*, 379 F. Supp. at 915 n.6 (recognizing that while advertising is a trademark function, the plaintiff-manufacturer's large expenditures on advertising did not mandate ownership).

118. *Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 34 U.S.P.Q.2d 1505, 1511 (N.D. Ill. 1994) (commenting that the U.S. plaintiff-distributor touted that its products were made in Germany).

119. *Sengoku*, 96 F.3d at 1221 (finding that it was a "close question" when three factors favored the plaintiff-manufacturer and two favored the defendant-distributor, deciding that the jury could have reasonably found that the plaintiff owned the trademark); *Tactica Int'l*, 154 F. Supp. 2d at 600-01 (finding two factors favored plaintiff-distributor, one favored defendant-manufacturer, and one favored neither, concluding that the plaintiff was the owner of the mark).

IV. A PROPOSAL FOR USE OF THE FRAMEWORK OUTSIDE THE MANUFACTURER-DISTRIBUTOR RELATIONSHIP

A. The Framework Protects All Interests

Having to decide who the rightful owner of a trademark is may arise in a number of different contexts. For example, it may arise when companies dissolve,[120] declare bankruptcy,[121] engage in licensing,[122] or execute assignments.[123] All too often, however, courts do not take into account the very unique attributes of a trademark when deciding ownership.

For example, for some courts the ownership question is resolved entirely by examining the agreement of the parties.[124] For others, the only question is who controls the quality of the goods and services with which the mark is used.[125] Neither of these questions takes into account that consumers may have a specific understanding about the identity of the entity standing behind the product or service, based on the product labeling or other sources.[126]

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120. *Menendez v. Holt*, 128 U.S. 514, 9 S. Ct. 143, 32 L. Ed. 526 (1888).

121. *Ducon Environmental Sys. Inc. v. Delta Conveying, Inc.*, No. 98-CV-0466, 2000 WL 270976 (E.D.N.Y. March 8, 2000).

122. *Pilot Corp. of Am. v. Fisher-Price, Inc.,* 344 F. Supp. 2d 349 (D. Conn. 2004).

123. *In re Impact Distributors, Inc.*, 260 B.R. 48 (S.D. Fla. 2001).

124. *See, e.g.*, *Brass Construction v. Muller*, No. 98 Civ. 5452 (MBM) (JCF), 2001 WL 1131986, at *3 (S.D.N.Y. Sep. 25, 2001) (stating, "If, as the defendants contend, the Name Agreement [*i.e.*, an agreement stating that defendant Muller owned the name "Brass Construction"] is enforceable, then the plaintiffs' claims are doomed. If, on the other hand, the Name Agreement is invalid, then the plaintiffs can continue to assert that all of the band members had agreed to joint ownership of the name."); *Rare Earth, Inc. v. Hoorelbeke*, 401 F. Supp. 26, 29 (S.D.N.Y. 1975) ("By stipulation it was agreed that all of the rights in the trademark 'Rare Earth' are owned by plaintiff corporation Rare Earth, Inc. . . . Therefore, the only issue for this Court is who owns the stock in the plaintiff corporation." (ellipses in original)); *cf. E.F. Prichard Co. v. Consumers Brewing Co.*, 136 F.2d 512, 522 (6th Cir. 1943) (in manufacturer-distributor dispute, stating, "In such a case, the party who has agreed that the other shall be the owner of the trade-mark, is estopped from raising questions with regard to adoption and use; and the inquiry is limited to determining whether the terms of the contract have been violated.").

125. *See, e.g.*, *In re Polar Music Int'l AB*, 714 F.2d 1567, 1571 (Fed. Cir. 1983) ("Since appellant controls the quality of the goods, it is the source of the goods"); *Liebowitz v. Elsevier Science Ltd.*, 927 F. Supp. 688, 696 (S.D.N.Y. 1996) ("Whoever controls the nature and quality of the journals' content, then, is the source of the goods and the owner of the journal trademarks."); *Bell v. Streetwise Records, Ltd.*, 640 F. Supp. 575, 581 (D. Mass. 1986) ("[I]n the case of joint endeavors, where prior ownership by one of several claimants cannot be established, the legal task is to determine which party controls or determines the nature and quality of the goods which have been marketed under the mark in question" (internal quotation marks omitted)), *after vacated and remanded by* 761 F.2d 67 (1st Cir. 1985)).

126. *See Visa Int'l Serv. Ass'n v. Bankcard Holders of Am.*, 784 F.2d 1472, 1473 n.1 (9th Cir. 1986) (stating that for a significant consumer purchase, the identity of the party

One of the fundamental purposes of a trademark is to identify for consumers who stands behind the goods or services.[127] A decision on ownership based only on the contractual expectation of two private parties may not be the same as one reached by identifying which party consumers are actually perceiving as the source of the goods or services.[128] Thus, a decision based on a contract alone may fail to ensure that the trademark continues to fulfill its source identification role.

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standing behind the product may be important); *Venn v. Goedert*, 319 F.3d 812, 816 (8th Cir. 1963) ("The most common and effective means of apprising intended purchasers of the source of goods is a prominent disclosure on the container, package, wrapper or label of the manufacturer's or trader's name."); *Atlas Beverage Co. v. Minneapolis Brewing Co.*, 113 F.2d 672, 677-78 (8th Cir. 1940) (holding that the trademark owner was the entity whose name was on the labels and who "held itself out to the public as the manufacturer of the beer and the owner of the trade-mark. . . ."); *Wrist-Rocket I*, 379 F. Supp. at 914 (considering as relevant to ownership who purchasers looked to if a product was defective); *Distillers Brands v. American Distilling Co.*, 26 F. Supp. 988, 989 (S.D.N.Y. 1938) (finding that the trademark was owned by the distributor whose name was on bottle, not the distiller or the bottler who were not identified with the product); *cf. Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 827 (5th Cir. 1998) (finding likelihood of confusion in parallel importation case because the trademark owner's watch warranty was voided by the actions of the defendant: "Meece, not Rolex, stood behind the watches; but the trademark suggested otherwise."); *Tone Bros., Inc. v. Sysco Corp.*, 28 F.3d 1192, 1204 (Fed. Cir. 1994) (recognizing that whether distributors were identified on the label rather than the manufacturer would affect whether the manufacturer could establish secondary meaning in the container shape); *Hebel v. Sherman Equip.*, 442 N.E.2d 199, 204 (Ill. 1982) (in strict liability case, recognizing that a trademark creates a public impression that the trademark owner is responsible for the product and stands behind it).

127. *Springfield Fire & Marine Ins. Co. v. Founders' Fire & Marine Ins. Co.*, 115 F. Supp. 787, 792 (N.D. Cal. 1953) (in describing the various functions of trademarks, "Historically, the function of indicating origin was the first to develop. The trade-mark came to mean that a certain manufacturer made the goods that bore the mark."). For more background on the various functions of trademarks, see *Restatement (Third) of Unfair Competition* § 9 cmt. b-c (1995) (describing the source, quality assurance and advertising functions of trademarks, as well as the general public benefit created by protecting trademarks in general); 1 *McCarthy*, *supra* note 5, § 3:2 (listing four functions: "1. To identify one seller's goods and distinguish them from goods sold by others; 2. To signify that all goods bearing the trademark come from or are controlled by a single, albeit anonymous, source; 3. To signify that all goods bearing the trademark are of an equal level of quality; and 4. As a prime instrument in advertising and selling the goods.")

128. Therefore, the issue of actual use focuses on one primary and one secondary inquiry. The primary inquiry is what did the public perceive to be the legal entity standing behind the mark? The secondary inquiry is what did the parties intend the public to perceive as being the legal entity behind the mark? The intent of the parties to create such a perception in the public's mind is not conclusive evidence of what the public actually did perceive, but is circumstantial proof, absent evidence to the contrary, that what the parties intended to be the public perception was, in fact, their actual perception.

General Bus. Serv., Inc. v. Rouse, 495 F. Supp. 526, 542 (E.D. Pa. 1980); *see also* 2 *McCarthy*, *supra* note 5, § 16:40 (suggesting that, if fulfilling the parties' contractual expectation would lead to fragmented use then the contract should not control, because the fragmented use will ultimately harm consumers by creating customer confusion); *cf. T & T Mfg. Co. v. A.T. Cross Co.*, 587 F.2d 533, 538 (1st Cir. 1978) (stating that an agreement should be valid and enforceable "so long as no injury is caused to the public.").

The same will be true if a court only considers who has control over the quality of the goods and services without considering what consumers might perceive.[129] On the other hand, ascertaining ownership only by identifying which entity consumers believe stands behind the goods or services disregards the principle that the trademark owner need not be known by the consumer[130] or accurately identified on the goods,[131] and it gives insufficient weight to the parties' contractual expectations.[132]

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129. *See Premier Dental Prods. v. Darby Dental Supply Co.,* 794 F.2d 850, 855 (3d Cir.), *cert. denied*, 479 U.S. 950, 107 S. Ct. 436, 93 L. Ed. 2d 385 (1986) (noting that "while the identity of the party exercising day-to-day control over the quality of a product is often relevant to the trademark analysis, it is not essential that one perform this function to own a trademark. As we have earlier observed, one need not manufacture a product to possess goodwill in it. In particular, it has been consistently held that if an exclusive distributor is known as the exclusive domestic source and as the one who stands behind the product in this country, it may own and enforce the trademark.").

130. *See Tone Bros.*, 28 F.3d at 1203 ("The anonymous source rule states that a consumer need not know the identity of the single source, and that all that is necessary to establish secondary meaning is that the consumer associate the trade dress with a single, albeit anonymous, source. . . . In other words, all that is necessary is that the consumer believe that the trade dress denotes a 'single thing coming from a single source.'"); *Premier Dental*, 794 F.2d at 856 ("it is of little significance to the establishment of trademark rights whether the public can identify correctly by name the owner of the mark."); *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955) ("[Trademark harm] can result from the customer's belief that the competing article derives from the same source as that of the party complaining; and it matters not whether the customers know just who is the source"), *cert. denied*, 350 U.S. 832 (1955); *Manhattan Shirt Co. v. Sarnoff-Irving Hat Stores, Inc.*, 164 A. 246, 250 (Del. 1933) ("When the courts speak of the public's identifying the source of origin, they do not mean thereby that the purchasing public can identify the maker by his specific name or the place of manufacture by precise location. What they mean by such expression is that the purchaser of goods bearing a given label believes that what he buys emanated from the source, whatever its name or place, from which goods bearing that label have always been derived."); *see generally* 1 *McCarthy*, *supra* note 5, § 3:7.

131. *See, e.g.*, *Northwestern Corp. v. Gabriel Mfg. Co.*, No. 95 C 2004, 1996 WL 732519, at *8 (N.D. Ill. Dec. 18, 1996) (in product configuration trade dress case where the product was manufactured for use by different sellers: "there is no requirement that a trademark be used in association with the name of the trademark owner. Licensed uses may properly contain only the licensed mark and the name of the licensee"); *Fort James Corp. v. Kimberly-Clark Tissue Co.*, No. 98 C 7834, WL 966144, *3-4 (N.D. Ill. Oct. 8, 1999) (quoting above from *Northwestern Corp.* in product configuration trade dress claim for designs on toilet tissue); *see generally* 2 *McCarthy*, *supra* note 5, § 18:45.

132. For example, in *Bourjois & Co. v. Katzel*, 260 U.S. 689, 43 S. Ct. 244, 67 L. Ed. 464 (1923), the French manufacturer assigned U.S. trademark rights in face powder to its U.S. distributor. 260 U.S. at 690, 43 S. Ct. at 245. The goods were labeled "Made in France—Packed in the U.S.A. By A. Bourjois & Co. Inc. of New York, Succ'rs in the U.S. to A. Bourjois & Cie. and E. Wertheimer & Cie." *Id.* Recognizing the French origin, the Court nevertheless held that the mark was owned by the U.S. distributor, stating, "It is said that the trade-mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade-mark of the plaintiff only in the United States and indicates in law, and it is found, by public understanding, that the goods come from the plaintiff although not made by it." 260 U.S. at 692, 43 S. Ct. at 245. *See also E. Leitz, Inc. v. Watson*, 152 F. Supp. 631, 635 (D.D.C. 1957) (recognizing the holding in *Bourjois* that a trademark may be owned by the distributor even if the goods are clearly marked as

All three interests—contractual expectation, responsibility for the quality of the goods and services, and consumer perception—should play a role in deciding who owns a mark. Indeed, an examination of the *Wrist-Rocket* factors shows that the framework is sensitive to these various interests.

Regarding the parties' contractual expectations, *Wrist-Rocket* and its progeny consider first whether there is a contract and what the contract says about ownership.[133] In addition, outside of the four corners of the contract, the courts look at which party invented and first affixed the mark to the product,[134] and who paid for advertising,[135] both factors that might be relevant to what the parties may have understood about their contractual relationship.

With respect to control of the quality of goods and services, *Wrist-Rocket* specifically considers which party maintained the quality and uniformity of the product, including technical changes.[136] Regarding consumer understanding, the *Wrist-Rocket* line of cases instructs the courts to consider as a general matter which party possesses the goodwill associated with the product or which party the public believes stands behind the product.[137] The cases also instruct the courts to look at specific ways that consumers may have gained or expressed their understanding. These include, for example, looking at which party's name appeared with the trademark on packaging and promotional materials,[138] ascertaining to whom purchasers made complaints[139] and learning what a party may have represented to others about the ownership of the product.[140] After considering all of these factors, the courts may then come to an informed decision, balancing the interests of the parties and the consumers, to

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manufactured by another and stating, with respect to the "Leitz" brand goods at issue in the case, "Further, if the public ever understood or now understands all products bearing the 'Leitz' mark as having originated with German Leitz, its understanding was and is erroneous."), *aff'd*, 254 F.2d 777 (D.C. Cir. 1958).

133. *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1220 (9th Cir. 1996), citing *Premier Dental*, 794 F.2d at 854; 1 Jerome Gilson, *Trademark Protection and Practice* § 3.02[13] (1997).

134. *Id.*

135. *Wrist-Rocket I*, 379 F. Supp. at 911-12.

136. *Sengoku*, 96 F.3d at 1220 (9th Cir. 1996); *Wrist-Rocket II*, 516 F.2d at 850. Although similar to an inquiry about who "controls" a mark, this standard is more specific, referring to more easily quantified attributes of quality and uniformity and documented events, like changes to product.

137. *Sengoku*, 96 F.3d at 1219.

138. *Id.* at 1220.

139. *Id.*

140. *Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 34 U.S.P.Q.2d 1505, 1511 (N.D. Ill. 1994).

determine equitably who is most entitled to ownership of the indivisible trademark.

B. A Summary of the Proposed Framework

Thus, it is suggested that the following framework, which is a modification of the *Wrist-Rocket* factors, be used to analyze all types of disputes that arise over the ownership of a single, indivisible trademark.

First, identify the owner as bargained for, and if an agreement speaks to trademark ownership, then the entity as identified in the agreement is presumed to own it.[141] Next, presume that if one party came to the relationship with the trademark, it will continue to be the sole owner of the trademark.[142] Either presumption can be rebutted by a sufficient showing of the following factors, which would also be the factors considered in the situation where there is no agreement and the mark came into existence during the course of the relationship:

(a) which party invented and first affixed the mark onto the product;[143]

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141. Although there is no presumptive weight to an agreement in the manufacturer-distributor relationship, such weight may be warranted. *See*, *e.g.*, 2 *McCarthy*, *supra* note 5, § 16:40 (advocating for presumptive weight of a contract premised on the understanding that it is in the self-interest of the contracting parties to avoid fragmentation of the trademark).

There is a public policy interest in holding parties to the terms of their agreements. *See T & T Mfg. Co. v. A.T. Cross Co.,* 587 F.2d 533, 538 (1st Cir. 1978) ("We cannot agree with [the plaintiff] that merely because the district court made a finding of likelihood of public confusion that Ipso facto the Settlement Agreement should now not be enforced according to its terms. . . . [T]here are other considerations, most notably the policy, vital to the law of contracts, of holding people to the terms of agreements knowingly and willfully entered into."); *see*, *e.g.*, *Norden Rest. Corp. v. Sons of the Revolution*, 415 N.E.2d 956, 957 (N.Y. 1980) (holding parties to lease that stated "the right to use the name 'Fraunces Tavern Restaurant' in connection with Tenant's business shall be limited to the restaurant business conducted on the premises and to no other business or location" and denying tenant's claim that the 40 years of its continuous occupation of the premises and use of the name gave it ownership of the name).

Professor McCarthy suggests that, in the absence of a contractual provision addressing the disposition of a mark and its goodwill on dissolution of the jointly owning entity, "the 'contractual expectation' policy should have no weight" and that the court should "prevent multiple, fragmented trademark use." 2 *McCarthy*, *supra* note 5, § 16:44.

142. This is a modification of the presumption that a manufacturer has superior rights to a trademark over the distributor. *See TMT North Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 882 (7th Cir. 1997) (stating that "trademark law creates a presumption that, in the absence of an assignment of trademark rights, a foreign manufacturer retains all rights to a trademark even after licensing the use of the trademark to an exclusive U.S. distributor."). The author proposes expanding the concept of "manufacturer" to include a party that was the origin of goods or services before the joint relationship began.

143. *Sengoku*, 96 F.3d at 1220.

(b) which party's name appeared with the trademark on packaging and promotional materials;[144]

(c) which party maintained the quality and uniformity of the product, including technical changes;[145]

(d) which party the public believes stands behind the product, *e.g.*, to whom customers direct complaints;[146]

(e) which party paid for advertising;[147] and

(f) what a party represents to others about the source or origin of the product.[148]

No one factor should be dispositive.[149] Instead, as in the analysis for likelihood of confusion, the fact finder is to be instructed to reach a conclusion that is sensitive to the interests of all of the stakeholders, to the policy bases of trademark law, and to the particular context of the dispute.[150]

C. The Effect of a Trademark Registration

This proposed framework does not alter the evidentiary value of a federal trademark registration as being either *prima facie* or conclusive evidence of the ownership of the mark,[151] but if the

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144. *Id.*

145. *Id.*; *Wrist-Rocket II*, 516 F.2d at 850.

146. The two factors described in *Sengoku*, 96 F.3d at 1220, as "with which party the public identified the product and to whom purchasers made complaints" and "which party possesses the goodwill associated with the product, or which party the public believes stands behind the product" are, to this author, redundant, so they have been combined.

147. *Wrist-Rocket I*, 379 F. Supp. at 911-12.

148. *Automated Prods., Inc. v. FMB Maschinenbaugesellschaft mbH & Co.*, 34 U.S.P.Q.2d 1505, 1511 (N.D. Ill. 1994). Although not identified by any court as a factor to be considered, it is nevertheless relevant as evidence of the parties' contractual understanding or an admission against interest.

149. *Sengoku*, 96 F.3d at 1221 (finding that it was a "close question" when three factors favored the plaintiff-manufacturer and two favored the defendant-distributor, deciding that the jury could have reasonably found that the plaintiff owned the trademark).

150. *Cf. Lois Sportwear v. Levi Strauss*, 799 F.2d 867, 872 (2d Cir. 1986) (stating that the factors in likelihood of confusion cases must be applied flexibly, since "each case . . . presents its own peculiar circumstance.").

151. Lanham Act § 33(a), 15 U.S.C. § 1115(a) (2000) (*prima facie* evidence); Lanham Act § 33(b), 15 U.S.C. § 1115(b) (2000) (conclusive evidence for incontestable marks); *see Ilpak Research & Dev. S.A. v. Record SpA*, 762 F. Supp. 1318, 1322 (N.D. Ill. 1991) (noting that registration is only a presumption of ownership); *see also Plitt Theatres, Inc. v. American Nat'l Bank & Trust Co. of Chicago*, 697 F. Supp. 1031, 1034 (N.D. Ill. 1988) (stating that registration does not create substantive rights to the mark); *cf. Norden Rest. Corp. v. Sons of the Revolution*, 415 N.E.2d 956, 957 (N.Y. 1980) ("Nor is the plaintiff's claim of ownership advanced by the fact that even as it negotiated the 1977 lease, it applied to the United States Patent and Trademark Office for registration of the name. . . . It is well established that registration is not dispositive of the common-law rights of ownership of the trade-mark, but merely grants the registrant the procedural advantage of establishing prima facie ownership. The probative value of that registration is but slight in light of the facts that

registrant was not the owner of the mark in the first place, the registration should be invalid.[152] Even an incontestable mark can be vulnerable to challenge, by proving that the registration was obtained fraudulently,[153] or that the registered mark is being used

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plaintiff applied for the service mark at a time when it was conceding in negotiation that defendant owned the name 'Fraunces Tavern Restaurant', and that the provisions of the lease negotiated clearly establish defendant's ownership of the name." (internal quotations omitted)).

152. *See, e.g.*, *General Bus. Serv., Inc. v. Rouse*, 495 F. Supp. 526, 542 n.7 (E.D. Pa. 1980) (stating that registration was *prima facie* evidence of ownership, but that the registration was invalid because the defendant-registrant was not the owner of the mark).

But see Wrist-Rocket II, 516 F.2d at 731. In *Wrist-Rocket I*, the trial court held that the trademark registrant-manufacturer with an incontestable registration was not the trademark owner. *Wrist-Rocket I*, 379 F. Supp. at 915. He had, however, also continued to sell the goods after he and the true owner of the mark, the distributor, parted ways. *Id.* Although the district court ordered the registration cancelled, *id.* at 916, the appeals court reversed the cancellation, holding that the manufacturer's common law trademark rights could not destroy the incontestable status of the registration and none of the bases for cancellation of incontestable registrations listed in § 15(b) of the Lanham Act, 15 U.S.C. § 1115(b), were otherwise proven. *Wrist-Rocket II*, 516 F.2d at 851-52. Consequently, the trademark owner-distributor had only a non-exclusive right to use the mark in "market areas where he had established prior use before the publication" of the registration, *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 729 (8th Cir. 1978) [hereinafter *Wrist-Rocket III*], even though the court recognized there was a "real possibility" of purchaser confusion. *Wrist-Rocket II*, 516 F.2d at 853. Any confusion was to be obviated by requiring that each party use the trademark in conjunction with a prefix of equal prominence that identified the source or origin. *Id.*

On appellate review of a subsequent district court decision on remedies and damages, a court of appeals, en banc, held that the manufacturer-registrant's trademark had not become incontestable in those areas where the trademark owner-distributor had acquired common law rights. *Wrist-Rocket III*, 578 F.2d at 731. The court of appeals thus divided the market territorially between the manufacturer-registrant and the distributor, using as the relevant date the 1965 date of publication of the manufacturer's application. *Wrist-Rocket III*, 578 F.2d at 731. It did so even though the district court held that the manufacturer was only using the distributor's trademark under license until the parties parted ways in 1971, *Wrist-Rocket I*, 379 F. Supp. at 915, many years after the publication of the application. Such use would normally inure to the benefit of the trademark owner. *Omega Nutrition U.S.A., Inc. v. Spectrum Mktg., Inc.*, 756 F. Supp. 435, 438 (N.D. Cal. 1991).

As a result, the party originally adjudicated as a non-owner nevertheless acquired trademark rights in 25 states by virtue of ownership of an incontestable trademark, the registration of which was void *ab initio* because it was not filed by the owner of the mark. This advantage was particularly valuable because the non-owner was then entitled to the entire United States except for the true owner's territory as it existed in 1965 at the time of the publication of the application, not even allowing the true owner to count as its territory those areas where the non-owner's use was under license and therefore inuring to the benefit of the true trademark owner.

153. Lanham Act § 33(b)(1), 15 U.S.C. § 1115(b)(1) (2000) and Lanham Act § 14(3), 15 U.S.C. § 1064(3) (2000), *see, e.g.*, *Hank Thorp, Inc. v. Minilite, Inc.*, 474 F. Supp. 228, 236-38 (D. Del. 1979) (finding that registration for incontestable mark was obtained fraudulently and cancelling same); *Ilpak Research & Dev. S.A. v. Record SpA*, 762 F. Supp. 1318, 1322 (N.D. Ill. 1991) (stating that the defense may be available to manufacturer where distributor owned registrations of marks, the use of which had become incontestable).

so as to misrepresent the source of the goods or services on or in connection with which the mark is used.[154]

V. APPLICATION OF THE *WRIST-ROCKET* FACTORS IN DIFFERENT TYPES OF OWNERSHIP DISPUTES

The following sections discuss how courts could resolve ownership disputes using the *Wrist-Rocket* factors in a wide variety of cases. Part V.A. will again review the cases discussed above in Part II, *Connelly v. ValueVision Media, Inc.*,[155] *John Curry Skating Co. v. John Curry Skating Co.*,[156] and *Rick v. Buchansky*,[157] and will analyze the ownership questions using the proposed *Wrist-Rocket* framework. This analysis will demonstrate that by recognizing which party owns a mark as being the actual question and by analyzing the question considering the *Wrist-Rocket* factors, a court will reach a conclusion that respects all the relevant interests. These cases alone demonstrate that the *Wrist-Rocket* factors are well-suited for use in areas outside of the manufacturer-distributor relationship. Part V.B. then extends the analysis to other relationships in which ownership may be called into question, specifically, cases involving assignments and abandonment of trademarks.

Using the *Wrist-Rocket* framework outside of the manufacturer-distributor relationship will not generally change the outcome of the case. It will, however, give the court and the parties a more predictable, straightforward and analytically honest approach for resolving the dispute.

A. Dissolution of Formerly Cooperative Relationships

1. *Connelly v. ValueVision Media, Inc.*[158]

Although *Connelly* was resolved entirely as a question of contract,[159] in its decision the court also provided a comprehensive description of many aspects of the parties' relationship. The decision therefore provides an opportunity to test the *Wrist-Rocket* framework outside of its usual application, in this case a dissolved employer-employee relationship.

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154. Lanham Act § 33(b)(3), 15 U.S.C. § 1115(b)(3), and Lanham Act § 14(3), 15 U.S.C. § 1064(3). *See Ilpak*, 762 F. Supp. at 1322 (stating that defense may be available to manufacturer where distributor owned incontestable registrations).

155. 73 U.S.P.Q.2d 1198 (D. Minn. 2004).

156. 626 F. Supp. 611 (D.D.C. 1985).

157. 609 F. Supp. 1522 (S.D.N.Y. 1985).

158. 73 U.S.P.Q.2d 1198 (D. Minn. 2004).

159. *See, supra,* Part II.A.

Under the *Wrist-Rocket* framework, the court's analysis would not only have afforded the contractual agreement presumptive weight, but would also have continued with an analysis under the remaining *Wrist-Rocket* factors to ensure that additional facts did not compel a different conclusion.[160]

First, Ms. Connelly conceived of the mark SINCERELY YOURS, KAREN, for the name of her new jewelry line and presented it to an executive at ShopNBC.[161] There was also evidence that the public identified Ms. Connelly with the product.[162] She used her first name, Karen, as a component of the mark, and she sold the jewelry personally on-air, albeit on the ShopNBC network.[163] Ms. Connolly also maintained the quality and uniformity of the product,[164] as she was responsible for the design of the jewelry line[165] and supervised its manufacture.[166] Further, Ms. Connolly appeared to be whom the public believed stood behind the product.[167] She testified that she received calls from consumers asking why she was not hosting the show.[168] Messages posted on an Internet discussion forum stated, "Anyone else watching? Lynne said this line will continue on NBC from the same design house. Huh? Does this mean that Karen never designed this jewelry? So she owns Sincerely Yours Karen, but not Sincerely Yours. Kind of confusing," and "What happened to Karen? They put every item on sale. They offer free sizing. I guess the line was never Karen's."[169] Ms. Connolly also told third parties that she owned the mark.[170]

On the other hand, ShopNBC spent a significant amount of time and money promoting the SINCERELY YOURS, KAREN products.[171] No other factors, however, favored ShopNBC's position.

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160. Given that this is a new analytical framework, evidence for all factors may not be available in the decisions.

161. *Connelly*, 73 U.S.P.Q.2d at 1200; *see supra* text accompanying note 143.

162. *See supra* text accompanying note 146.

163. *Connelly*, 73 U.S.P.Q.2d at 1200.

164. *See supra* text accompanying note 145.

165. *Connelly*, 73 U.S.P.Q.2d at 1200.

166. *Id.*

167. *See supra* text accompanying note 146.

168. *Connelly*, 73 U.S.P.Q.2d at 1201.

169. *Id.* at 1203.

170. *Id.* at 1200; *see supra* text accompanying note 148.

171. *Id.*; *see supra* text accompanying note 147. The case does not disclose which party's name appeared with the trademark on packaging and promotional goods. *See supra* text accompanying note 144.

Thus, a review of the factors that are designed to elicit information beyond the contractual agreements, about the control of the quality of goods and services and consumer perception, confirm the court's conclusion that SINCERELY YOURS, KAREN was owned by Ms. Connolly, because consumers believed that she stood behind the product and because both parties' behavior comported with that understanding. Although the outcome under the *Wrist-Rocket* factors is no different than the outcome as decided, use of these factors assures us that the court's conclusion does not defy marketplace realities.

2. *John Curry Skating Co. v. John Curry Skating Co.*[172]

In *John Curry Skating Co.*, the court did not recognize that it was only one mark in dispute, but nevertheless reached a fair outcome by granting John Curry the right to use his own name in his own performance.[173] It did so, however, by distorting the burden of proof for establishing secondary meaning.[174] Analyzing the case under the *Wrist-Rocket* factors instead makes the question, and the answer, much clearer.

First, the court held that the contractual agreement between the parties was an exclusive trademark license, not an assignment.[175] Under *Wrist-Rocket*, John Curry would therefore have been the presumptive owner.[176]

There is little doubt that the plaintiff would not have been able to rebut the presumption. With respect to which party invents and first affixes the mark to the product,[177] Mr. Curry "invented" the mark by using his personal name, and he "affixed" it to the personal services he provided throughout his amateur and professional skating career, well before the plaintiff's predecessor came into existence.[178]

With respect to which party maintained the quality and uniformity of the product, including technical changes,[179] there is evidence in the case that Mr. Curry did so. Mr. Curry had developed a particular style of figure skating that he called "balletic ice skating," which included an ensemble of skaters performing to live music on theater stages rather than in ice

172. 626 F. Supp. 611 (D.D.C. 1985).

173. *Id.* at 615.

174. *See, supra,* Part II.B.

175. *John Curry Skating*, 626 F. Supp. at 615-16.

176. *See supra* text accompanying note 141.

177. *See supra* text accompanying note 143.

178. *John Curry Skating*, 626 F. Supp. at 613 (describing Mr. Curry's amateur success and subsequent professional career).

179. *See supra* text accompanying note 145.

arenas.[180] His shows, both before, during and after the failed relationship with JCS Company, were in the balletic skating style, and Mr. Curry was the artistic director for all of the shows.[181]

Undoubtedly the public identified the shows with Mr. Curry[182] because it was his personal name being used in the title of all of his professional shows.[183] The public most likely also believed that Mr. Curry stood behind the product.[184] As an award-winning amateur and the featured skater, Mr. Curry's personal performance was what the public came to see.[185]

Thus, on the evidence in the case it is clear that Mr. Curry was the actual owner of the trademark JOHN CURRY for skating performances.[186] The analysis under the *Wrist-Rocket* factors, however, is more pure doctrinally and far less convoluted than the trial court's approach.

3. *Rick v. Buchansky*

In *Rick v. Buchansky*,[187] the court identified the problem as being one of priority of use, although the court decided the question by identifying whether the plaintiff was the employer or an employee.[188] The same evidence that the court relied upon for deciding whether Rick was an employee is, however, useful for an analysis under the *Wrist-Rocket* factors.

First, there was no agreement that addressed ownership of the mark VITO AND THE SALUTATIONS.[189] Thus, no presumption arises.[190]

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180. *John Curry Skating*, 626 F. Supp. at 613.

181. *Id.* at 613-14.

182. *See supra* text accompanying note 146.

183. *John Curry Skating*, 626 F. Supp. at 613 (stating that name of the show produced by the plaintiff was "The John Curry Skating Company;" previous shows were "John Curry's Theatre of Skating," "John Curry's Theatre of Skating II," and "John Curry's Ice Dancing.")

184. *See supra* text accompanying note 146.

185. *John Curry Skating*, 626 F. Supp. at 614 (stating that the Kennedy Center show, which occurred after the dissolution of his relationship with the plaintiff, was a critical success, and that future performances were scheduled.).

186. This is also an outcome that would generally be expected for a personal name service mark. *Cf. Marshak v. Green*, 746 F.2d 927, 930 (2d Cir. 1984) (holding that trade name of band was not subject to attachment and involuntary sale on the basis that "[e]ntertainment services are unique to the performers.").

187. 609 F. Supp. 1522 (S.D.N.Y. 1985).

188. *See, supra,* Part II.C.

189. *Rick*, 609 F. Supp. at 1545 n.16 (discussing apparently forged agreement that addressed the performers' rights to use the name "Vito and the Salutations" that was not admitted into evidence).

190. *See supra* text accompanying note 141.

With respect to who invented the mark, Rick suggested both the name "The Salutations," and later "Vito and the Salutations."[191] Rick also paid for the group's recording, travel and clothing expenses, and he exerted control over the style and substance of the act, although the original "Vito" sometimes selected songs.[192] Rick also did all of the promotional work for the band.[193]

In addition, the band membership was constantly changing. Three of the original members of the group left during the first year, and "Vito" himself was in and out of the group various times. All in all, during the 1960s and 1970s, approximately 22 different people performed as part of "Vito and the Salutations."[194]

The court characterized the group as more of an "act," with Rick acting as the director by finding new performers to fill established roles, including sometimes the role of "Vito."[195] On the other hand, "Vito" was added to the name of the band because it was the name of Vito Balsamo, who was the lead singer whenever he was a member of the band.[196] There were, however, also ten other "Vitos."[197] The court also noted that there was no evidence that Balsamo or any other member of the group ever received media attention or had a following, although there was testimony, not credited by the court, that fans would have associated Balsamo with the band.[198]

Considering all of this evidence in light of the public policy of trademark ownership, and being mindful of all interests, indeed it appears that most evidence weighed in favor of finding that Rick was the owner of the mark VITO AND THE SALUTATIONS, which is the same outcome that was reached by the court. Framing the question as simply "who owns the mark," however, rather than whether one was an employer or employee,[199] whether there was a valid assignment,[200] who "controlled" the mark,[201] or a question of business form,[202] provides the litigating parties with notice about

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191. *Id.* at 1531; *see supra* text accompanying note 143.

192. *Id.* at 1532; *see supra* text accompanying note 145.

193. *Id.* at 1533; *see supra* text accompanying note 147.

194. *Id.* at 1527; *see supra* text accompanying note 146.

195. *Id.* at 1526.

196. *Id.* at 1526, 1532; *see supra* text accompanying note 144.

197. *Id.*

198. *Id.* at 1535-36.

199. *Id.* at 1527, 1532.

200. *Marshak v. Green*, 505 F. Supp. 1054, 1061 (S.D.N.Y. 1981).

201. *Bell v. Streetwise Records, Ltd.*, 640 F. Supp. 575, 580-81 (D. Mass. 1986), *after vacated and remanded by* 761 F.2d 67 (1st Cir. 1985).

202. *Boogie Kings v. Guilory*, 188 So. 2d 445, 448-49 (La. App. 1966).

what evidence will be relevant and how best to reach a well-supported assessment of the merits of their case.

As demonstrated above, the framework is useful for resolving disputes where a mark was used within the context of a relationship, the relationship then ended, and the sole surviving owner has to be identified. The utility of the framework may reach even further, however, to other types of disputes where ownership is contested.[203]

B. Abandonment of Marks

Ownership disputes often tend to arise within particular types of abandonment cases, specifically those involving naked licensing and assignments in gross.[204] Each of these defenses has a well-defined body of law, as will be discussed in more detail below. It is suggested, however, that a focus on who owns a disputed mark, rather than on whether a license was "naked" or an assignment was "in gross," will better satisfy the underlying policies for protecting trademarks and their owners. Placing emphasis on ascertaining who owns a mark in these types of abandonment cases is particularly appropriate because the party disputing ownership is often not one of the parties claiming rights to the mark, but is instead asserting a *jus tertii* defense claiming that a non-party is, or was, the actual owner of the mark in suit, hoping to defeat the opponent's earlier first use date.[205]

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203. For example, Professor McCarthy recognizes that the dissolution of an entity, potentially leading to the fragmented use of a trademark by multiple claimants, potentially leading to consumer confusion, is similar to an assignment in gross. 2 *McCarthy*, *supra* note 5, § 16:40.

204. *See, e.g., Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001 (9th Cir. 1985) (naked license); *CNA Financial Corp. v. Brown*, 922 F. Supp. 567 (M.D. Fla. 1996) (naked license), *reconsideration den.*, 930 F. Supp. 1502 (M.D. Fla. 1996), *aff'd*, 162 F.3d 1334 (11th Cir. 1998); *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257 (C.C.P.A. 1978) (assignment in gross); *Acme Valve & Fittings Co. v. Wayne*, 386 F. Supp. 1162 (S.D. Tex. 1974) (assignment in gross).

205. *See, e.g.*, *Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589, 595-98 (9th Cir. 2002) (holding that the defendant successfully defeated a likelihood of confusion claim by raising a "naked license" defense, even though the non-party "naked licensee" was still using the mark); *Clark & Freeman Corp. v. Heartland Co.,* 811 F. Supp. 137, 139 (S.D.N.Y. 1993) (raising "assignment in gross" defense successfully to defeat earlier priority date); *Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285, 287 (8th Cir. 1969) (raising "assignment in gross" defense to defeat alleged laches); 2 *McCarthy*, *supra* note 5, § 18:17 (explaining the scenario and stating that in general the legal effect of an assignment in gross is that the assignee cannot claim priority to the original assignor's use); 2 *McCarthy*, *supra* note 5, § 18:18 (noting that if the assignment is invalid, the "assignee" is not entitled to claim succession and must rely upon its own date of first use).

1. Naked Licensing

A trademark is abandoned when any act or omission by the owner causes the mark to lose its significance as an indication of origin.[206] One subspecies of abandonment, known as "naked licensing," occurs when a trademark owner fails to exercise appropriate control and supervision over its licensees.[207] The theory is that the public may be unwittingly deceived if products bearing the same trademark are of diverse qualities as the result of uncontrolled licensees, so it is therefore appropriate to strip a licensor-owner of its trademark rights because the owner allowed consumers to be deceived.[208] If a defendant accused of infringement successfully proves that the trademark owner granted a "naked license" by convincing the fact finder that the owner did not appropriately control the quality of its licensees' goods and services, the trademark owner will have lost its trademark rights against the world and thus also against the defendant.[209]

Under well-settled "naked licensing" law, the courts first look at whether there is a contractual right of control.[210] This, though, is not dispositive:

> The absence, however, of an express contract right to inspect and supervise a licensee's operations does not mean that the plaintiff's method of licensing failed to comply with the requirements of the Lanham Act. Plaintiff may in fact have exercised control in spite of the absence of any express grant by licensees of the right to inspect and supervise.
>
> The question then, with respect to both plaintiff's contract and non-contract licensees, is whether the plaintiff in fact exercised sufficient control.[211]

A "naked licensing" claim thus revolves almost entirely around the question of whether the owner in name actually controls the

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206. Lanham Act § 45(2), 15 U.S.C. § 1127(2) (2000) (stating that a mark will be deemed "abandoned" "[w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to . . . lose its significance as a mark."); *see Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366 (2d Cir. 1959).

207. *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1075 (5th Cir. 1997) ("A naked license is a trademark licensor's grant of permission to use its mark without attendant provisions to protect the quality of the goods or services provided under the mark.")

208. *Dawn Donut*, 267 F.2d at 367; *Gorenstein Enter., Inc. v. Quality Care-USA, Inc.*, 874 F.2d 431, 435 (7th Cir. 1989) ("The owner of a trademark has a duty to ensure the consistency of the trademarked good or service. If he does not fulfill this duty, he forfeits the trademark.")

209. *Exxon*, 109 F.3d at 1076.

210. *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir. 1995) (stating that it first reviews the agreement for evidence of control, then examines whether the licensor in fact exercised sufficient control over licensee).

211. *Dawn Donut*, 267 F.2d at 368.

quality of the goods and services offered, and if not, strips ownership where it appears that the trademark owner's behavior was inadequate,[212] regardless of whether the mark has lost any of its ability to identify a sole source.[213] The doctrine generally ignores the fact that the licensee may have a protectable interest in its own right[214] and also ignores whether any consumers were actually harmed by inconsistent or uncontrolled quality.[215] Therefore, because the "naked license" doctrine only narrowly decides whether one particular party owns a protectable trademark, there is a high probability of an outcome that is unfair to a non-party and/or the consuming public.

For example, in *Barcamerica International USA Trust v. Tyfield Importers, Inc.*,[216] the court held that the license was "naked," and the plaintiff no longer owned the mark because of its failure to exercise licensee control.[217] Nevertheless, the plaintiff's mark had been used continuously by a single "naked" licensee,[218] so there was no real chance that there was any inconsistent quality that deceived consumers. Further, the court did not consider the possibility that the licensee, who was not a party in

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212. *Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589 (9th Cir. 2002) (finding abandonment of mark for wine when licensor did not appropriately control quality of wine made by exclusive licensee); *First Interstate Bancorp v. Stenquist*, 16 U.S.P.Q.2d 1704, 1706 (N.D. Cal. 1990) (holding mark was abandoned where there was lack of control provision in license and licensor did not engage in "meaningful supervision" of the sole licensee); *CNA Financial Corp. v. Brown*, 922 F. Supp. 567, 574 (M.D. Fla. 1996), *aff'd on other grounds*, 162 F.3d 1334 (11th Cir. 1998) (holding that parent holding company failed to show it controlled the nature and quality of its subsidiaries' insurances services and therefore forfeited the mark).

213. *See First Interstate*, 16 U.S.P.Q.2d at 1706 (holding that a naked license is an abandonment because it is "inherently deceptive"). *But see Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1121 (5th Cir. 1991) ("Where the particular circumstances of the licensing arrangement persuade us that the public will not be deceived, we need not elevate form over substance and require the same policing rigor appropriate to more formal licensing and franchising transactions."), *aff'd*, 505 U.S. 763, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992); *United States Jaycees v. Philadelphia Jaycees,* 639 F.2d 134, 140 (3d Cir. 1981) (declining to find abandonment on basis of "naked" license where licensee did not offer lower quality of service).

214. *Cf. Restatement (Third) of Unfair Competition* § 33 cmt. b (1995) (recognizing that a mark may still function as a source identifier, although the fact that it is an inaccurate one (since it no longer signifies the original trademark owner) justifies the legal conclusion of abandonment).

215. *See Gorenstein Enter., Inc. v. Quality Care-USA, Inc.*, 874 F.2d 431, 435 (7th Cir. 1989) ("The owner of a trademark has a duty to ensure the consistency of the trademarked good or service. If he does not fulfill this duty, he forfeits the trademark."); *First Interstate*, 16 U.S.P.Q.2d at 1706 (holding that a naked license is an abandonment because it is "inherently deceptive"); *but see Taco Cabana*, 932 F.2d at 1121 (refusing to find mark abandoned where court was persuaded that there was no public deception).

216. 289 F.3d 589 (9th Cir. 2002).

217. *Id.* at 598.

218. *Id.* at 592.

the case, might have had seniority over the defendant in some geographic areas,[219] so that the defendant's continued use of a mark similar to the licensee's mark, post-judgment, might still have created confusion.

Analyzing the case under the *Wrist-Rocket* factors, however, would have mandated a look at the larger picture, forcing the court to first identify who owned what was undoubtedly *a mark* and decide the case accordingly, not just evaluate the licensor's actions in a vacuum.[220]

By expanding the scope of the investigation to include the various interests identified in Part IV.A., above, so that the analysis includes not only a survey of contractual agreements and the *indicia* of control, but also balances the consumer interest, there will be an outcome more consistent with the goals of trademark law. Note that the *Wrist-Rocket* factors also provide a means for assessing whether there is a protectable mark at all (which should be the true thrust of an abandonment claim),[221] by

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219. *Id.* (stating that the licensee's first use was in 1988, and the defendant's first use in the United States was in 1979, albeit neither use aided by the benefits of registration).

220. *Cf. Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1079-80 (5th Cir. 1997) (explaining that if a trademark has not ceased to function as an indicator of origin there is no reason to believe that the public will be misled and thus there is no statutory or policy basis for finding that a mark is abandoned through naked licensing); *Blue Magic Prods., Inc. v. Blue Magic, Inc.*, No. Civ. S-001155WBSJFM, 2001 WL 34098657, at *6 (E.D. Cal. Sep. 5, 2001) (stating that "the court will not elevate form over substance to conclude, as a matter of law," that there was abandonment through naked licensing when "[t]he practical effect of the Agreement is indistinguishable from the sale of the entire business."). An example of a case where there was abandonment through naked licensing, and where the court could also have reached the conclusion based on the absence of a single owner, is *Midwest Fur Producers Ass'n v. Mutation Mink Breeders Ass'n*, 127 F. Supp. 217, 229 (D. Wis. 1955) (holding that plaintiff could not claim exclusive rights in the trademark because it "consented to the use of such names by many who were legally strangers to it, and has and is, in effect, offering to license and licensing anyone to use said names upon the payment to said defendant of a stipulated royalty or fee.").

221. *See* Lanham Act § 45(2), 15 U.S.C. § 1127(2) (2000) (defining abandonment in the second definition as a course of conduct of the trademark owner that has caused the mark to "lose its significance as a mark"); *Exxon*, 109 F.3d at1078-79 (explaining that a "naked license" is an abandonment under the second definition of abandonment in the Lanham Act).

Note that some courts cite a second basis for the "naked license" doctrine, *i.e.*, Lanham Act § 5, 15 U.S.C. § 1055 (2000). *See First Interstate Bancorp v. Stenquist*, 16 U.S.P.Q.2d 1704, 1705 (N.D. Cal. 1990); *Exxon*, 109 F.3d at 1079 n.12 (collecting cases).

Section 5 of the Lanham Act states, "Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public." 15 U.S.C. § 1055. Courts relying on this section of the Lanham Act apparently assume that use by a related company (*i.e.*, the licensee) that is not controlled necessarily deceives the public, so that the use does not inure to the benefit of the licensor and the mark is abandoned. The courts do not explain how the Lanham Act has provided for this section to be a statutory basis upon which to allege the lack of trademark rights. *See Exxon*, 109 F.3d at 1079 n.12 (stating that § 1055 does not of itself establish a naked directing the courts to look at exactly which and how many parties are involved with the mark. It is proposed that this type of analysis would better serve to protect all of the interests relevant in trademark cases.

The "naked license" defense is already somewhat similar to the *Wrist-Rocket* factors. Like the proposed analysis, the "naked license" defense first looks at any contract that might address the intent of the parties.[222] Even if not dispositive, however, it would be reasonable to presume that the intention of the parties expressed in the contract is entitled to some deference, perhaps justifying a legal presumption of non-abandonment.[223]

Who maintains the quality and uniformity of the product is also considered relevant in both areas.[224] Questions of whose name appears on the packaging and promotional materials,[225] and other signs that the public does have a belief about who stands behind the mark,[226] would further inform the court about whether there is indeed a sole source identity for the goods or services, in other words, whether there has been an abandonment in the first instance and whether purchasers (on behalf of whom the court is acting) are actually suffering harm as a result of the purported "naked licensing."

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licensing defense, but instead defines a relationship, *i.e.*, a licensee's use without control, that supports a claim of abandonment).

222. *See, e.g., Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir. 1995) (stating that it first reviews the agreement for evidence of control, then examines whether the licensor in fact exercised sufficient control over licensee); *Halo Management, LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019, 1029 (N.D. Cal. 2003) (examining written agreement for control provisions, then examining whether actual control was exercised).

A few courts, however, have held that the contractual right to control is sufficient by itself to defeat a naked licensing claim. *See E.I. Du Pont de Nemours & Co. v. Celanese Corp. of Am.*, 167 F.2d 484, 487-88 (C.C.P.A. 1948) (examining only the license agreement itself to determine whether it was "naked"); *Engineered Mech. Servs., Inc. v. Applied Mech. Tech., Inc.*, 584 F. Supp. 1149, 1159 (M.D. La. 1984) ("The EMS license is clearly not 'naked'; it is fully clothed with adequate quality controls and the ultimate authority to terminate if quality is not adequate. Accordingly, it certainly maintains the effectiveness of the trademark.").

223. *See supra* text accompanying note 141 discussing proposed presumption. A presumption seems particularly beneficial where the defense is being asserted opportunistically by a party that has no ownership interest itself in the mark accused of being abandoned, so that a higher burden of proof is equitable. *See supra* note 205 and accompanying text explaining context of abandonment claim.

224. *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1220 (9th Cir. 1996) (manufacturer-distributor); *Wrist-Rocket II*, 516 F2d at 850 (same); *Dawn Donut Co. v. Hart's Food Stores, Inc.,* 267 F.2d 358, 368 (2d Cir. 1959) (naked license).

225. *See supra* text accompanying note 144.

226. *See supra* text accompanying notes 145-48. Since the naked licensing and assignment in gross defenses are claims that trademark rights were originally owned by one party but then lost, the *Wrist-Rocket* factor inquiring about who first invented and affixed the mark, *Sengoku*, 96 F.3d at 1220, will generally not be probative.

Transgo, Inc. v. Ajac Transmission Parts Corp.[227] demonstrates how the *Wrist-Rocket* factors may be used to get to the bottom of a "naked licensing" argument. In *Transgo*, the plaintiff ("Transgo") had granted an oral license to Winters Performance Products ("Winters") to use Transgo's trademark SHIFT KIT for some products sold by Winters under its own label.[228] The defendant in the case also used SHIFT KIT, and when charged with creating an actionable likelihood of confusion, raised the defense of "naked licensing."[229]

The court analyzed the abandonment defense using standard "naked licensing" doctrine, *i.e.*, by determining whether Transgo had adequately controlled the quality of Winters' products.[230] It looked at how involved Transgo had been in the design of products made by Winters, Transgo's testing of the products, and its knowledge of Winters' skill in the field,[231] before concluding that Transgo had not given Winters a "naked license."[232]

An analysis under the *Wrist-Rocket* factors would have confirmed that, based on the facts disclosed in the case, the outcome was correct. First, there was an "oral agreement" between Transgo and Winters,[233] the terms of which were apparently undisputed and which appear to have vested ownership of the SHIFT KIT mark with Transgo.[234] According to the agreement, Winters agreed to use "TM" after SHIFT KIT at the instruction of Transgo.[235]

Having established that there was a contractual agreement between the parties about the ownership of the mark, a subsequent review of the evidence showed that there was not a sufficient amount of contrary evidence to merit divesting Transgo of its presumptive ownership. Indeed, the Winters name, not the Transgo name, was used on packaging and promotional materials.[236] Nevertheless, Transgo maintained the quality and uniformity of the products, including the technical changes, by manufacturing 90% of the products itself, by requiring approval of

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227. 768 F.2d 1001 (9th Cir. 1985).

228. *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1017 (9th Cir. 1985).

229. *Id.*

230. *Id.* at 1017-18.

231. *Id.*

232. *Id.* at 1018.

233. *Id.* at 1017.

234. *Id.*; *see supra* text accompanying note 141.

235. *Id.*

236. *Id.* (stating that the SHIFT KIT mark was used for products sold under the Winters label); *see supra* text accompanying note 144.

any changes to the kits made by Winters, and by collaborating on the design of new products.[237]

The court commented that Transgo never received any complaints,[238] perhaps a recognition that it would have been Transgo, not Winters, who would have received them. Transgo also represented to others that it was the owner of the SHIFT KIT trademark,[239] and it enforced its right several times against other infringers of the SHIFT KIT mark.[240]

Thus, the evidence available in the case demonstrates that the SHIFT KIT mark probably still did serve as a source identifier,[241] and that, upon consideration of all the factors, Transgo was the entity that had the greatest claim of ownership to that source identity. Additional evidence, either in Transgo's favor or against it, could only have assisted the court in reaching the fairest resolution.[242]

Consider also *CNA Financial Corp. v. Brown*.[243] In *CNA Financial*, the trademark owner was a holding company of subsidiaries that provided insurance services.[244] Based on testimony of the parent company vice president, the court held that the parent company did not control the quality of the services offered, but only controlled how the marks themselves were used.[245] As a result, the court decided that the marks were abandoned through "naked licensing."[246]

Nevertheless, it appears in the case that the marks indeed were recognized by consumers as indicating a sole source.[247]

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237. *Id.*; *see supra* text accompanying note 145.

238. *Id.* at 1018; *see supra* text accompanying note 146.

239. *See supra* text accompanying note 148.

240. *Transgo*, 768 F.2d at 1018 n.1.

241. The allegation of a "naked license" was based on only the use by one entity in addition to Transgo itself, not the uncontrolled use by many different companies. *Contra, e.g., Midwest Fur Producers Ass'n v. Mutation Mink Breeders Ass'n*, 127 F. Supp. 217, 229 (D. Wis. 1955) (holding that the licensing of anyone who paid the fee when there were many licensees was a naked license).

242. Because the legal question for the court only involved control, there is scant evidence on other factors that the author proposes should also be relevant. If, for example, it was shown that the advertising and packaging identified SHIFT KIT only with Winters, that customer complaints were directed at Winters, not Transgo, or other evidence of consumer perception showed that they associated Winters, not Transgo, with the mark, then the conclusion reached in the case would have justifiably been different.

243. 922 F. Supp. 567 (M.D. Fla. 1996), *reconsideration den. by* 930 F. Supp. 1502 (M.D. Fla. 1996), *aff'd*, 162 F.3d 1334 (11th Cir. 1998).

244. *Id.* at 574.

245. *Id.*

246. *Id.*

247. *Id.* at 571 (stating that the subsidiary that assigned the mark to the parent continued to perform the same services and that the "family" used the marks).

Further investigation might have shown that by taking all *Wrist-Rocket* factors into account, including that there may have been no variance in quality (and therefore no consumer deception) because of state licensure,[248] that consumers associated the mark with the parent holding company through its advertising,[249] that consumers had an affirmative association with the parent company,[250] and that consumers probably understood "CNA" to signify the same company across the country instead of separate individual subsidiaries,[251] indeed the parent was the owner of the mark.

Finding that the parent owned the mark, rather than finding it was abandoned through "naked licensing," might have better served to protect all interests. By considering only the trademark owner's behavior in deciding whether it owned the mark, the defendant successfully stripped the plaintiff of its trademark rights, to the derogation of the consumers' stake in the same question and contrary to the policy basis for the "naked licensing" defense itself. As a consequence, the case as decided may well have resulted in harming both the consumers, who might not have a reliable sole source indicator any longer because of the new interloper,[252] and the insurance company, which lost, at a minimum, the benefits of a trademark registration and the common law rights to a larger geographic area than any one individual subsidiary could claim as the result of their individual uses.

In this case, there appears little doubt that there was a substantial amount of trademark significance in the mark CNA, although, according to the decision, not something owned by the parent. If it was not owned by the parent as the consequence of "naked licensing," then it must have been owned by one or more of the subsidiaries that were actually using the mark. If the subsidiaries had been parties, they might have been able to successfully assert claims against the defendant based on common law rights. Recognizing that the question should really be one of who owns a mark, rather than whether there was a "naked license," would assist the parties in understanding earlier in the

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248. *CNA Financial Corp. v. Brown*, 930 F. Supp. 1502, 1508 (M.D. Fla. 1996) (arguing for the first time on request for reconsideration that the Florida regulation of insurance companies supported a finding of adequate control); *see supra* text accompanying note 145.

249. *CNA Financial*, 922 F. Supp. at 571 (stating that the parent company "engages in extensive national and local advertising with its three (3) service marks solely on behalf of and for the benefit of its family."); *see supra* text accompanying note 147.

250. *Id.* (stating that the defendant adopted CNA "based on CNA's name recognition among consumers."); *see supra* text accompanying note 146.

251. *Id.* (stating that the use of the mark itself, as distinguished from the services offered, was controlled by the plaintiff); *see supra* text accompanying note 146.

252. In this case, during the pendency of the suit the defendant never actually used the CNA mark in commerce. *Id.* at 573.

litigation both the contours and merits of the claims and would ensure that all interested entities have the opportunity to become parties to the suit.[253]

2. Assignment in Gross

Trademarks may be assigned, but a valid assignment requires that the mark be used by the assignee on a product having substantially the same characteristics.[254] A trademark that is not subsequently used for substantially the same goods has been "assigned in gross" and the assignment is invalid.[255] There is no requirement that any assets be transferred with the trademark,[256] nor is there a requirement that the assignor forbear from using the mark post-assignment.[257]

The purpose of the "assignment in gross" rule is consumer protection: the use of the mark by the assignee in connection with a different product would be a fraud on the purchasing public, who

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253. Taking it a step further, if someone owned trademark rights but it was not the parent, then perhaps a better outcome in the case would have been simply to avoid the substantive issue and to find that the parent lacked standing, leaving the issue of infringement to be raised by the proper party-in-interest on another day.

254. *Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285, 288 (8th Cir. 1969).

255. *Clark & Freeman Corp. v. Heartland Co.*, 811 F. Supp. 137, 141 (S.D.N.Y. 1993) (holding that women's pixie boots and men's shoes were not substantially similar and the mark was therefore assigned "in gross").

This type of "assignment in gross" is often unhelpfully described as one without transfer of the goodwill. *See, e.g.*, *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 265 (5th Cir. 1999) ("The sale or assignment of a trademark without the goodwill that the mark represents is characterized as in gross and is invalid."); *interState Net Bank v. NetB@nk, Inc.*, 348 F. Supp. 2d 340, 349 (D.N.J. 2004) ("A purported assignment of a trademark without goodwill is an invalid "assignment in gross"); *Pilates, Inc. v. Current Concepts, Inc.,* 120 F. Supp. 2d 286, 310 (S.D.N.Y. 2000) ("[A]n owner of a trademark or service mark may not assign the rights to that mark 'in gross,' i.e. divorced from the appurtenant good will that the mark engenders."). This verbiage might suggest that the assignor acted in some improper way by failing to turn over the "goodwill," but this type of an "assignment in gross" is instead simply the assignee's failure to exploit the goodwill that the assignor transferred to it. *See Matter of Roman Cleanser Co.,* 43 B.R. 940, 947 (B.R. Mich. 1984) ("To determine whether an assignment of a trademark is valid, the proper focus is on 'the nature of the assignee's use, not the formalism of what assets passed to the assignee,'" *citing* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 18:2 (2d ed. 1984)).

256. *Glamorene Prods. Corp. v. Procter & Gamble Co.*, 538 F.2d 894, 895-96 (C.C.P.A. 1976); *Sterling Brewers, Inc. v. Schenley Indus., Inc.*, 441 F.2d 675, 680 (C.C.P.A. 1971); *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 315 F. Supp. 45, 55 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971); *Hy-Cross Hatchery, Inc. v. Osborne*, 303 F.2d 947, 949-50 (C.C.P.A. 1962).

257. *Syntex Labs.*, 315 F. Supp. at 55; *see* 2 *McCarthy*, *supra* note 5, § 18:9 and cases cited therein discussing assignment followed by the grant of a trademark license back to the assignor.

will assume, incorrectly, that the mark signifies the same thing it signified before the assignment.[258]

There is another type of transaction that is also characterized as an "assignment in gross," perhaps taking its signal from the common sobriquet that an assignment in gross is the transfer of a trademark without the appurtenant goodwill.[259] This second type of "assignment in gross" alleges that a mark was purportedly assigned, but that the assignor nevertheless continued to control the quality of the goods or services offered under the mark.[260] The divergence of the record ownership from the entity that controls the quality of the goods and services is an "assignment in gross." It has arisen in failed attempts to grant a security interest,[261] in the transfer of assets in bankruptcy,[262] and in an assignment with a grant of a license back to the assignor.[263]

Because no tangible assets must be assigned with a mark,[264] and an assignor may become a licensee after it has assigned the mark by retaining the right to manufacture the same goods or offer the same services post-assignment,[265] an inquiry into whether the goods of the assignee are substantially similar to those of the assignor, the general test of "assignment in gross," is of little help. Therefore, courts have made the assessment on an *ad hoc* basis.

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258. *Marshak v. Green*, 746 F.2d 927, 929 (2d Cir. 1984); *see Syntex Labs.*, 315 F. Supp. at 55 ("The reason for the rule is the need, if consumers are not to be misled as the result of established associations with the mark, that the mark continue to be associated with the same or closely similar products after its assignment."). Like "naked licensing," an "assignment in gross" is an abandonment under the second definitional paragraph of "abandonment" in the Lanham Act, which states that a mark is abandoned "[w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to . . . lose its significance as a mark." Lanham Act § 45, 15 U.S.C. § 1127 (2000); *see Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F. Supp. 1339, 1354-55 (E.D.N.Y. 1994) (describing assignment in gross as one type of abandonment). The first definition of abandonment describes a situation where use of a mark has been discontinued with an intent not to resume use. Lanham Act § 45, 15 U.S.C. § 1127. Abandonment through non-use is not the subject of this article, although the *Wrist-Rocket* factors may be useful in these situations also. *See, e.g.*, *Koretz v. Heffernan*, No. 92 C 5419, 1993 WL 524438 (N.D. Ill. Dec. 13, 1993) (holding that a service mark for a restaurant name was abandoned and, in the alternative, that there was a bona fide purchaser in good faith defense).

259. *See supra* note 255.

260. *See, e.g.*, *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A. 1978) (holding that an assignment of a trademark for purposes of securing a loan was an assignment in gross because the assignees never controlled the use of the assigned mark).

261. *See, e.g.*, *Haymaker Sports*, 581 F.2d at 261.

262. *See, e.g.*, *Johanna Farms, Inc. v. Citrus Bowl, Inc.*, 468 F. Supp. 866, 879 (E.D.N.Y. 1978).

263. *See, e.g.*, *Greenlon, Inc. v. Greenlawn, Inc.*, 542 F. Supp. 890 (S.D. Ohio 1982); *In re Impact Distributors, Inc.*, 260 B.R. 48 (S.D. Fla. 2001).

264. *See supra* note 256.

265. *See supra* note 257.

For example, in *Haymaker Sports, Inc. v. Turian*,[266] the court decided that there was an "assignment in gross" because the assignees never "played an active role in the business . . . never used the mark themselves, and never acquired any tangible assets or goodwill . . . ."[267] In *Syntex Laboratories, Inc. v. Norwich Pharmacal Co.*,[268] the court held there was not an "assignment in gross" because the mark continued to be associated with identical goods (since the goods were still made by the assignor) and the assignee received technical information and know-how, although it received no inventory or manufacturing facilities.[269] The *Syntex* court held that this was sufficient to find that consumers would not be confused and the assignment was valid.[270] In *In re Impact Distributors, Inc.*,[271] the bankruptcy court held that there was an invalid "assignment in gross" when the purported assignor continued to use the mark, retained the assets of the business, maintained the operations of the business, paid no royalties as a licensee, and signed affidavits for filing with the U.S. Patent and Trademark Office.[272] In *Greenlon, Inc. v. Greenlawn, Inc.*,[273] the court held that it was an invalid "assignment in gross" when the assignor testified that the assignee received no part of the assignor's business and the assignor retained his business and all tangible and intangible assets, including the right to do business under the mark and all the goodwill associated with the mark.[274]

All of these decisions provide little help in reaching a predictable conclusion about who does or should own a mark in these types of cases. The *Wrist-Rocket* framework, in taking into account all the interests of the parties involved, may be of assistance.

For example, the case of *Haymaker Sports, Inc. v. Turian*[275] demonstrates a situation where there is a question about whether the goodwill was transferred along with the mark. In *Haymaker*, Avon Shoe Co., to guarantee payment of attorneys' fees, gave a conditional assignment of the mark to its attorneys.[276] Avon Shoe Co. later defaulted on the loan, so the attorneys recorded the

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266. 581 F.2d 257 (C.C.P.A. 1978).

267. *Id.* at 261.

268. 315 F. Supp. 45 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971).

269. *Id.* at 55.

270. *Id.*

271. 260 B.R. 48 (S.D. Fla. 2001).

272. *Id.* at 54-56.

273. 542 F. Supp. 890 (S.D. Ohio 1982).

274. *Id.* at 895.

275. 581 F.2d 257 (C.C.P.A. 1978).

276. *Id.* at 258-59.

assignment with the U.S. Patent and Trademark Office.[277] Avon Shoe Co. continued its decline and ultimately ceased business,[278] but one of the former principals of Avon Shoe Co. paid the remainder of the debt and the trademark registration was reassigned to him in return.[279] When the validity of the registration was challenged in a cancellation proceeding, the Court of Customs and Patent Appeals ultimately decided that the assignment from Avon Shoe Co. to the lawyers was "in gross" and cancelled the trademark registration.[280]

There did, however, appear to be continuous use of the mark for most of the time and, therefore, quite likely some residual goodwill. Thus, rather than a formalistic analysis that appeared to ignore marketplace realities, perhaps the question should have been simply to ask who the owner of the goodwill was, for which the *Wrist-Rocket* factors would have been helpful.

For example, regarding the agreement of the parties,[281] the conditional assignment between Avon Shoe Co. and the lawyers recited that the goodwill was transferred.[282] Even if given presumptive weight, however, this factor might have been outweighed by the cumulative weight of the other *Wrist-Rocket* factors. Given that Avon Shoe Co. was the first to use the mark,[283] that it continued to manufacture,[284] and that the lawyers exercised no control over the quality of the product,[285] the court might have found that Avon Shoe Co. was still the actual owner of the mark despite the purported assignment. This finding may not have changed the ultimate outcome of the case,[286] but it would have

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277. *Id.* at 259.

278. *Id.*

279. *Id.* at 260.

280. Id. at 261.

281. *See supra* text accompanying note 141.

282. *Haymaker Sports*, 581 F.2d at 261.

283. *Id.* at 258; *see supra* text accompanying note 143.

284. *Id.* at 259; *see supra* text accompanying notes 144 and 146.

285. *Id.* at 261; *see supra* text accompanying note 145.

286. Because the court held that there was an assignment in gross, it cancelled the registration for the mark, the only remedy available in a cancellation proceeding. *See Wiscon Corp. v. Ach Food Companies*, Opposition No. 91159038, 2004 WL 2921817, at *9 (T.T.A.B. Dec. 15, 2004) ("The Board is an administrative tribunal with limited jurisdiction over the question of registrability only," *citing* Lanham Act § 17, 15 U.S.C. § 1068 (2000)). The case does not discuss whether Avon Shoe Co. might have been able to claim priority of use of the mark earlier than the petitioner for cancellation under common law.

In cases where a court decides that the name owner is ultimately not the actual owner, cancellation of the registration would still be appropriate. *See* Lanham Act § 10, 15 U.S.C. § 1060 (2000) ("A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized provided a better understanding of all involved parties' relative rights.

3. Purported Assignment

The proposed framework may also be used to resolve questions of whether there was even an assignment in the first instance.[287] For example, in *Acme Valve & Fittings Co. v. Wayne*,[288] the plaintiff claimed that by virtue of its purchase of an inventory of brass valves it had succeeded to the trademark on the valves and sued the defendant, who had also started using the mark.[289] The court posed the legal question as simply "who is the present owner of the trademarks,"[290] which was to be determined by analyzing whether the purchase order for the brass valves was a license, assignment, or neither.[291] Using the *Wrist-Rocket* factors to answer the question would have instead provided the litigating parties with a more settled framework and would have ensured that the interests of everyone involved with trademark rights, including potential consumers, were taken into account.

In the case as decided, the court held that the purchaser of the inventory did not own the mark because the sales agreement was not an assignment of the mark. [292] Under the *Wrist-Rocket* factors, the result probably would have been the same. Considering first whether there was a contract that addressed ownership,[293] the court found that the purchase order allowed the plaintiff to use the mark to sell off its inventory, but did not transfer any right, title or interest in the mark.[294] It further found that the plaintiff did not attempt to obtain a transfer of the trademark registration or to file applications itself for the marks.[295] The plaintiff did not send out any notices or advertisements that stated that it was the owner of the mark.[296] It did not represent itself as a manufacturer of the

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by the mark."); *Haymaker Sports*, 581 F.2d at 260 (stating basis for cancellation was § 10 of the Lanham Act, 15 U.S.C. § 1060). A forfeiture of a registration, however, is not the same as a forfeiture of trademark rights; in the latter case the actual owner of the mark may still be able to obtain relief based on rights in an unregistered mark.

287. *See, e.g.*, *Acme Valve & Fittings Co. v. Wayne*, 386 F. Supp. 1162 (S.D. Tex. 1974) (sale of inventory).

288. *Id.*

289. *Id.* at 1164.

290. *Id.*

291. *Id.* at 1165-66.

292. *Id.*

293. *See supra* text accompanying note 141.

294. *Acme Value*, 386 F. Supp. at 1165.

295. *Id.* at 1166; *see supra* text accompanying note 148.

296. *Id.*; *see supra* text accompanying note 147.

valves, but only as a distributor.[297] It did not manufacture the valves and did not control the fabrication of valves, but only purchased inventory with the mark already on it.[298] Based on all these factors, the court concluded that the purchase order was not an assignment,[299] although a better statement of the conclusion might have been that, after considering all of the policy interests and the interests of involved parties, the plaintiff did not own the mark.

VI. CONCLUSION

It is suggested that rather than analyzing a variety of alternative and seemingly unrelated theories in trademark ownership disputes, the well-defined *Wrist-Rocket* framework takes into account all of the interests involved in a trademark dispute, whether they belong to the trademark owner, the consumers or the contracting parties. Consistent use of the *Wrist-Rocket* factors will be advantageous to the resolution of ownership disputes because it supplies both the parties and the court with a predictable doctrinal analysis to be used in resolving ownership disputes. This, in turn, assists the parties in assessing the strengths and weaknesses of their cases, collecting the appropriate type and scope of evidence that will be needed by the fact finder applying the *Wrist-Rocket* framework to reach an informed decision, and presenting their cases to the fact finder in a more cogent manner.

297. *Id.*; *see supra* text accompanying note 148.

298. *Id.*; *see supra* text accompanying notes 143 and 145.

299. *Id.* at 1166-67.