

## TRADEMARK MAINTENANCE

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A trademark is used to identify one trader's goods and distinguish them from products sold or manufactured by others and to indicate the source of goods, even if the source is unknown.<sup>1</sup> Trademarks can be the most valuable assets of a business. Relatively little effort and expense is required to maximize and maintain their legal protection.

This article highlights the various ways in which unintentional acts of commission and omission can result in the loss of trademark rights and suggests steps to take to avoid such a result. Though it is American law that is being discussed, where important differences arise, the law in Canada is given as well.

### Section 8 Affidavit

Trademark registrations are often lost because required documents are not filed or registrations not renewed. In the United States, in the fifth year after registration of the trademark, the registrant must file an affidavit or declaration stating that the trademark is in use in commerce.<sup>2</sup> This is known as the Section 8 Affidavit. "Use in commerce" now means the "bona fide use of a mark in the ordinary course of trade and not merely to reserve a right in a mark."<sup>3</sup> Therefore, token use of trademarks

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<sup>1</sup> Federal Trademark Act of 1946, as Amended (The Lanham Act) §45

<sup>2</sup> Lanham Act §8

<sup>3</sup> Trademark Law Revision Act of 1988

is insufficient for trademarks registered after November 16, 1989 which was when the Trademark Law Revision Act came into effect.

Although “commerce” means either interstate or United States foreign commerce,<sup>4</sup> in recent years this has been increasingly broadened. Now it appears that having out-of-state clientele or advertising is sufficient to constitute use in commerce.<sup>5</sup> Though the amount of interstate clientele required is not clear, it seems that anything more than a minimal amount will suffice.<sup>6</sup>

If the trademark is not being used in commerce, then the registrant must state why the non-use should be excused due to special circumstances that do not include an intention to abandon; otherwise, registration may be revoked.<sup>7</sup> The affidavit should be carefully completed because though the Commissioner can use discretion to remedy affidavits with a “defective execution,”<sup>8</sup> this discretion cannot be exercised where a statutory omission exists.<sup>9</sup> Such a seemingly minor error of failing to include in the affidavit that the mark is still in use “in commerce” is a statutory omission whose absence can result in trademark rights being lost.

Though the trademark does not have to be used on a product in commerce identical to the product actually listed in the application for registration, it does have to be similar.<sup>10</sup> Further, the trademark in use in commerce must either be the

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<sup>4</sup> Lanham Act §45

<sup>5</sup> *In re Conti*, 220 USPQ 745 (TTAB 1983), *United States Shoe Corp. v. J. Riggs West, Inc.*, 221 USPQ 1020 (TTAB 1984)

<sup>6</sup> *Franchised Stores of New York, Inc. v. Winter*, 394 F.2d 664 (2d Cir. 1968)

<sup>7</sup> Lanham Act §8

<sup>8</sup> 35 U.S.C.S. § 26

<sup>9</sup> *In re Mother Tucker’s Food Experience, Inc.*, 925 F.2d 1402 (Fed. Cir. 1991)

<sup>10</sup> *Societe de Developments et D’Innovations des Marches Agricoles et Alimentaires-SODIMA-Union de Cooperatives Agricoles v. International Yogurt Co.*, 662 F. Supp. 839 (D.C. Or. 1987)

mark registered or have the same overall commercial impression as the mark registered.<sup>11</sup> Therefore, the appearance of the mark should not be changed unnecessarily, and the goods and services for which the trademark is registered should be kept up to date.

### Registration Renewal

Trademark registrations must be renewed. Docket the renewal date or search your registrations annually to ensure that these deadlines do not pass inadvertently.

In the United States, registrations now remain in force for ten years at which time they must be renewed.<sup>12</sup> Registrations issued prior to November 16, 1989 will last twenty years at which time they can be renewed for ten year periods.<sup>13</sup> Canada, however, requires registrations to be renewed every fifteen years.<sup>14</sup>

To renew a U.S. registration, an affidavit showing use is again required. No affidavit is required in Canada.

The U.S. requirements for the renewal are similar to the Section 8 Affidavit which is required in the fifth year after initial registration. The renewal requirements must be fulfilled within six months preceding expiration of the ten year period or, upon payment of a penalty fee, within three months after expiration. Not only must the application be filed within the required time, but the oath and evidence

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<sup>11</sup> Trademark Manual of Examining Procedure (U.S. Patent and Trademark Office) 1603.09

<sup>12</sup> Lanham Act §8(a), 9

<sup>13</sup> Trademark Rules of Practice of the U.S. Patent and Trademark Office (Title 37, C.F.R.) 2.181(a)(1)

<sup>14</sup> Trade Marks Act, R.S.C. 1985, c. T-13 section 46

of use must also be based on the time period in question.<sup>15</sup> The purpose of the renewal requirement is to automatically remove unused trademarks from the register resulting in less “deadwood.”<sup>16</sup>

Trademark rights can also be lost because the validity of a trademark is challenged. This sometimes occurs when a defendant in an infringement action challenges the existence of trademark rights as a defence to infringement.

### Uncontrolled Licensing of Trademark

Licensing a trademark without ensuring sufficient control over the quality produced by the licensee may result in abandonment of the trademark if the quality of or type of product sold under the trademark is not consistent and the trademark loses its significance as an indication of source. The rationale for this is captured in *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.* where the court said, “...Customers rely upon the owner’s reputation when they select the trademarked goods. If a trademark owner allows licensees to depart from its quality standards, the public will be misled, and the trademark will cease to have utility as an informational device. A trademark owner who allows this to occur loses its right to use the mark.”<sup>17</sup> Generally, the determinative factor of whether control over quality exists is not only whether there are sufficient contractual powers of control between the trademark owner and the licensee but whether sufficient control is actually exercised.<sup>18</sup>

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<sup>15</sup>McCarthy, J.T., *McCarthy on Trademarks and Unfair Competition* (Illinois: Clark Boardman Callaghan 1996) (“McCarthy on Trademarks”) p 19-241

<sup>16</sup>Report of the Trademark Review Commission, 77 Trademark Rep. 375, 408 (1987), USTA, “The Trademark Law Rev. Act of 1988,” p. 48 (1989).

<sup>17</sup> 549 F.2d 368 (5th Cir. 1977)

<sup>18</sup> Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959)

### Assignment of Trademark Without Good Will

The sale of trademark rights independent from the goodwill it symbolizes is known as "assignment in gross." Since this is not permitted, if it does occur, no rights pass from the assignor to the purported assignee.<sup>19</sup> If no rights are transferred, the priority date for the assignee is the date of the assignee's first use rather than the assignor's date which is earlier. Further, the assignor in these situations will have often permanently stopped using the trademark with the result that abandonment may be deemed.<sup>20</sup> Therefore, trademarks should be assigned along with the goodwill they symbolize to allow the assignee to benefit from having priority as of the assignor's date of first use and avoid a finding of abandonment by the owner.

### Trademark Becomes a Generic Name

If a trademark becomes a generic name, meaning the public recognizes the name not as a trademark but as the name of the genus of goods regardless of the source, then it no longer identifies a single source of the generic item and is no longer a valid trademark.<sup>21</sup> For instance, "cellophane" is now a generic name though it was claimed as a trademark.<sup>22</sup> Loss of trademark rights may occur even if a trademark's use as a generic name was entirely beyond the control of the trademark owner. When a previously unnamed product is launched, the vendor should ensure that both a brand name and a generic name are created. Prudence suggests that the brand and generic

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<sup>19</sup> *Marshak v. Green*, 505 F.Supp. (S.D.N.Y. 1981)

<sup>20</sup> *McCarthy on Trademarks* p 18-26

<sup>21</sup> *McCarthy on Trademarks*, p 17-6

<sup>22</sup> *Du Pont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir. 1936), *cert. denied*, 299 U.S. 601 (1936), *and cert. denied*, 304 U.S. 575 (1938), *reh. denied*, 305 U.S. 672 (1938)

names be linked, for example, using “BAND-AID brand adhesive bandages” rather than only “BAND-AID” in advertising.<sup>23</sup>

### Non-Use of Trademark

Trademarks may only be registered if they are actually used in commerce. Once abandoned and no longer in use in commerce, they are ultimately taken off the register. Though previously abandonment required an actual intent to abandon,<sup>24</sup> now only an intent not to resume a commercial level of use is necessary.<sup>25</sup> Canada, however, still requires an intent to abandon.<sup>26</sup> An intent not to resume use may be inferred from an affirmative act such as the company announcing publicly its intent to discontinue the sale of a product.<sup>27</sup> The requisite intent can also be inferred based only on non-use of the trademark depending upon the length of the non-use, the cause of non-use and other relevant factors.<sup>28</sup> The Lanham Act states that non-use of a trademark for three consecutive years is prima facie abandonment.<sup>29</sup>

If non-use is due to a valid reason, then the inference of abandonment can be rebutted. This occurred where an engineer was instructed to use the trademark, but the draftsman inadvertently omitted it.<sup>30</sup> Temporary non-use of a trademark for reasons beyond the control of the trademark owner can also rebut an inference of

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<sup>23</sup> McCarthy on Trademark, p 12-64

<sup>24</sup> Saxlehner v. Eisner & Mendelson Co., 179 U.S. 19 (1900)

<sup>25</sup> Exxon Corp. v. Humble Exploration Co., 695 F.2d 96 (5th Cir. 1983), *reh. denied*, 701 F.2d 173 (5th Cir. 1983)

<sup>26</sup> Marineland v. Marine World Wonderland & Animal Park Ltd. (1974), 16 C.P.R. (2d) 97 (Fed.T.D.)

<sup>27</sup> Hiland Potato Chip Co. v. Culbro Snack Foods, Inc., 585 F. Supp. 17 (S.D. Iowa 1982), *aff'd on point*, 720 F.2d 981 (8th Cir. 1983)

<sup>28</sup> Baglin v. Cusenier Co., 221 U.S. 580 (1911)

<sup>29</sup> Lanham Act §45

<sup>30</sup> Chrysler Corp. v. Trott, 83 F.2d 302 (1936)

abandonment. This has been the case where non-use was due to war,<sup>31</sup> prohibition,<sup>32</sup> a labor strike,<sup>33</sup> import difficulties<sup>34</sup> and unprofitable sales.<sup>35</sup> Non-use was also excusable where the factory burned down<sup>36</sup> and where the owner of a one-person business was hospitalized and then imprisoned.<sup>37</sup> Though forced temporary withdrawal from the market may not result in abandonment, use must resume within a reasonable time of the external cause ceasing.<sup>38</sup>

### Failure to Prosecute Infringers

The effect of a failure to prosecute infringers on a finding of abandonment is not clear. Some courts state emphatically that whether infringers are sued or not is irrelevant.<sup>39</sup> The rationale is that the person claiming that abandonment occurred should not be able to rely upon the wrongdoing of others.<sup>40</sup> However, other cases are of the view that abandonment has occurred where the trademark owner has failed to sue infringers for so long that the trademark name has become a generic name.<sup>41</sup> The issue, then, is not whether infringers have been sued but instead how infringement has effected the trademark.<sup>42</sup> Failure to police infringers encourages further users of like

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<sup>31</sup> *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757 (1959)

<sup>32</sup> *Olympia Brewing Co. v. Northwest Brewing Co.*, 178 Wash. 533 (1934)

<sup>33</sup> *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (1971)

<sup>34</sup> *Miller Brewing Co. v. Oland's Breweries (1971), Ltd.*, 548 F.2d 349 (CCPA 1976)

<sup>35</sup> *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393 (9th Cir. 1985)

<sup>36</sup> *Burt v. Tucker*, 178 Mass. 493 (1901)

<sup>37</sup> *Clubman's Club Corp. v. Martin*, 188 USPQ 455 (TTAB 1975)

<sup>38</sup> *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531 (2d Cir. 1964)

<sup>39</sup> *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965)

<sup>40</sup> *Council of Better Business Bureaus, Inc. v. Better Business Bureau, Inc.*, 200 USPQ 282 (S.D. Fla. 1978)

<sup>41</sup> *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900)

<sup>42</sup> *McCarthy on Trademarks* p 17-24

marks and can reduce the scope of protection of a mark, or eliminate trademark rights altogether.<sup>43</sup>

### Changes in the Appearance of the Trademark

Businesses often modify and update their trademarks. If the new trademark does not alter the commercial impression that had been created by the old trademark, abandonment of the old trademark will not be deemed and the priority date will still be that of the original trademark.<sup>44</sup> However, registering the current form of trademark eliminates this potential argument by an infringer.

Therefore, to ensure trademark rights are maintained,

- (1) file an affidavit stating that the trademark is in use in commerce in the fifth year after registration,
- (2) renew the registration every ten years (fifteen years in Canada),
- (3) when licensing trademarks, ensure that the quality of the wares and services can be set and enforced by the licensor, and that the licensor does so,
- (4) diligently dissuade known infringers,
- (5) do not assign trademarks without the goodwill in them,
- (6) when a new product is launched be diligent in ensuring the public does not use the trademark for the generic product name,

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<sup>43</sup> *Angelica Corp. v. Colins & Aikman Corp.*, 192 USPQ 387 (TTAB 1976)

<sup>44</sup> *Hess's of Allentown, Inc. v. National Bellas Hess, Inc.*, 169 USPQ 673 (TTAB 1971)

- (7) maintain regular commercial use of the trademark in each country of registration, and
- (8) keep the trademark registrations current as to form of the mark and wares and services in respect of which it is used.