

## NAKED TRADEMARK LICENSE FORFEITS TRADEMARK

If you license your trademark without specifying the quality of the goods to be sold, such is called “naked licensing” and your trademark would be deemed abandoned. This was confirmed when the Ninth Circuit held "that Barcamerica engaged in naked licensing of its "Leonardo Da Vinci" mark – and that by so doing, Barcamerica forfeited its rights in the mark." *Barcamerica International USA Trust v. Tyfield Imports, Inc.*, 289 F.3d 589-598 (9th Cir. 2002).

In this case, Barcamerica entered into trademark license agreements with Renaissance Vineyards ("Renaissance") to produce wines under the DA VINCI mark. Evidence showed that not only did the licenses not contain any quality standards but that Barcamerica never actually "had any involvement whatsoever regarding the quality of the wine and maintaining it at any level." Barcamerica commenced an infringement action against Tyfield Imports, Inc. ("Tyfield") the producer and importer of "Leonardo Da Vinci" wines from Vinci, Italy. Tyfield countered that Barcamerica previously abandoned the mark through "naked licensing." The Ninth Circuit affirmed the lower courts summary judgment holding that since there was no quality control standard for DA VINCI wine, it was a naked license and the court ordered cancellation of Barcamerica's trademark registration.

### Background on the Law

Trademark rights in the U.S. are created through actual use of a distinctive mark which indicates the origin of the goods or services. Thus, if anything occurs to stop usage or to stop the mark from being distinctive in the marketplace, to stop the indication of a particular origin (provider), these may not be protectable trademark rights.

1. "Intentional Abandonment." "Intentional abandonment" of the mark generally occurs when the owner ceases actual use of the mark and does not intend to resume use.

If abandoned, a mark is in the public domain and, in most instances, could be claimed by the next user.

2. "Unintentional Abandonment." This occurs when the owner causes or permits the mark to lose its significance as an indicator of the origin of the goods or services. This can occur through a number of means as outlined below.

A. Naked Licenses. Generally, the licensing of a mark without reserving any rights of "quality control" is a naked license. If a company permits anyone to use its name for just any product, there would be no value left to the name. It would not signify anything. A naked license may result in the mark losing its identity as a symbol of equal quality since there are no restrictions over the products or services that bear the mark. Hence it is deemed an absolute assignment and the mark is abandoned by the assignor.

The rationale is that a trademark stands for goods originating from some source which are of some consistent quality. If there is no consistent quality then the name does not signify anything.

B. Assignment Without Goodwill. If a mark is assigned and the goodwill of the business (i.e. the specific goods and services) connected with the mark is not assigned, the mark no longer identifies the nature and quality of certain goods and is, therefore, just the trafficking in a name. Therefore all sales, assignments or grants of a security interest in marks should include the phrase "together with the goodwill of the business associated with the trademark" or it is deemed an assignment in gross and is invalid.

The rationale here is that, if there is no business of a particular type transferred with the mark, there is nothing the mark signifies. One cannot merely traffic in names in the U.S.

C. Widespread Usage. If an owner permits others to use the mark with similar goods, then there is nothing to protect because it no longer signifies anything. A mark needs to be distinctive.

D. Generic Term. If a mark becomes a generic term then it will be deemed abandoned since the mark no longer identifies a single source of goods or services. You cannot own a generic term like hamburger for the sale of hamburgers, fish for the sale of fish, and the like. A mark can become generic due to widespread usage such as elevator, aspirin, etc.

3. Intent to Use. Even though trademark ownership arises upon actual use, U. S. law permits one to file for a trademark on an "intent to use basis" and then to prove actual use later. However, an intent to use trademark application cannot be assigned since a mark does not become a true mark in the U.S. until after actual use commences. Still, the application can be assigned if it is assigned in connection with the sale of the whole business associated with the mark. This rule is to avoid trafficking in marks which have no real existence but allows inclusion with the sale of a total business' assets.

Conclusion. The Barcamerica case reconfirms the need to protect one's trademark through proper usage, registration, and assignment. For further information, see The Proper Selection, Use and Protection of Trademarks, Corporate Names, and Trade Names in the U.S. at <http://www.ryanlaw.com>.