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# Trademark Licensing

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## Who Should Own a Trademark Registration? The Case of the Not-So-Related Parent Company

A recent precedential Trademark Trial and Appeal Board (TTAB) decision provides valuable guidance on the proper allocation of trademark registration ownership as between a corporate parent and a subsidiary, highlighting the perils of identifying the wrong entity as the owner.

A trademark is not required to be used exclusively, or at all, by the owner of the registration. So long as the owner controls the quality of the goods or services used in connection with the trademark, use by a third-party, such as a subsidiary or licensee, will inure to the benefit of the trademark owner. Consistent with this principle, Section 45 of the Lanham Act expressly defines a “Related Company” as any person or entity whose use of a mark is controlled by the mark owner. In practice, this means that use of a mark by a subsidiary controlled by a corporate parent will inure to the parent’s benefit.

However, the reverse was not the case in *Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC* [Cancellation No. 92057394 (April 4, 2016)], in which the TTAB held that use of a trademark by a corporate parent did not inure to the benefit of its subsidiary that owned

the registration. Accordingly, the registration was cancelled on the ground of abandonment.

The decision involved a registration for the mark NOBLE HOUSE for furniture, originally filed as an intent-to-use application by Floorco Enterprises. Noble House Home Furnishings subsequently filed an application to register the mark NH NOBLE HOUSE HOME FURNISHINGS & Design for retail and warehousing services for furniture. The application was refused based on Floorco’s registration, and Noble House initiated a cancellation action alleging abandonment and fraud.

During discovery, it was revealed that Floorco never actually used the NOBLE HOUSE mark; use of the mark had been made only by its parent company, Furnco International Corporation. There was no license or other agreement between the two companies regarding control over Furnco’s use of the mark by Floorco. Neither Floorco nor Furnco actually had sold any products under the NOBLE HOUSE mark since a date prior to issuance of the registration. Furnco had promoted the goods as recently as January 2015, which might have been sufficient to avoid abandonment if Furnco had been the owner of the registration. But because Floorco was the registrant, and Floorco, as a subsidiary, did not control the nature and quality of the goods marketed by its corporate parent, Furnco’s use of the mark did not inure to Floorco’s benefit. Thus, even though Furnco and Floorco had a corporate relationship of

parent and subsidiary, the parent was not considered a “related company” whose trademark use inured to the benefit of the subsidiary that owned the registration. Accordingly, the TTAB sustained the cancellation action on the ground of abandonment. The fraud claim was rejected because Floorco’s mistaken belief that use of its NOBLE HOUSE mark by its parent company would inure to its benefit was insufficient proof that Floorco intended to deceive the US Patent and Trademark Office.

Interestingly, after the close of trial testimony in the proceeding, Noble House moved to amend its petition to include the additional claim that Floorco’s registration was void *ab initio* because it was not the owner of the mark at the time the application was filed. The TTAB denied the motion as untimely. However, it is possible that such a claim could be viable in future cancellation proceedings if addressed earlier on.

The decision in *Noble House* is a useful reminder to think carefully when determining which corporate entity should be identified as the owner of a US trademark registration. If there is any doubt about whether the applicant/registrant will receive the benefit of use of a mark by a corporate affiliate, a license or other contractual arrangement should be structured to ensure that the owner controls the use of the mark by the affiliate.

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