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THE CORPORATE ENTERPRISE AS TRADEMARK OWNER—THE PROPER INTERPRETATION OF *IN RE WELLA*

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I. INTRODUCTION

In 1946, after many years of work[1] and an intervening world war, Congress passed a completely new Trade Mark Act. The new Act repealed all prior trademark acts and collected all U.S. federal law relating to trademarks into one statute.[2] The new law was going to:

> eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple and relief against infringement prompt and effective.[3]

A Senate report pointed out that the prior trademark statutes "have not kept pace with the commercial development" and that the proposed law was designed to "modernize the trademark statutes so that they will conform to legitimate present-day business practice."[4]

One business practice for which the previous trademark law was ill-suited was the corporate enterprise, meaning a company composed of multiple subsidiaries. The prior trademark law presented obstacles to the registration of trademarks used across a corporate family.[5] In addition, companies were also now licensing their trademarks to others, a situation that also presented registration problems.[6] The Trade Mark Act of 1946[7] addressed these two problems by including what is now section 5, which introduced to trademark law the concept that use of a trademark could be through a "related company."

But sixty years later it appears that section 5 is not doing the job it was designed for. Rather than aiding the corporate enterprise, section 5 has become a tool used to strip the corporate enterprise of its trademark rights, returning us to the same state of affairs this new law was designed to remediate.

In contrast, the new section 5 also ratified that trademarks could be licensed, a decision that met with significant resistance during the law's drafting. Since then, though, licensing has reached a

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1 H.R. Rep. No. 79-1333, at 6-7 (1946) (describing the lengthy history of the bill).

2 *Id.* at 5.

3 *Id.* at 3.

4 *Id.* at 4, 5, *quoted in In re* Nat'l Distillers & Chem. Corp., 49 C.C.P.A. 854, 860, 297 F.2d 941, 946 (C.C.P.A. 1962).

5 *See infra* section II.A.1.

6 *See infra* section II.A.2.

7 Pub. L. No. 79-489, 60 Stat. 427 (1946) (classified as amended at 15 U.S.C. §§ 1051-1129) (Lanham Act).

degree of complexity well beyond that contemplated by the drafters but nevertheless is now accepted as perfectly ordinary.[8]

With respect to corporate families, in this author's opinion the Trademark Trial and Appeal Board ("TTAB") has taken an incorrect and overly simplistic view that, within a corporate enterprise, for any marks that are confusingly similar, there must be only one family member that controls the quality of all the goods and services throughout the entire enterprise. The Board created this unrealistic standard because, as this article will demonstrate, it misinterpreted the opinion of the Court of Appeals for the Federal Circuit in *In re Wella A.G.*,[9] a decision that took a more realistic and pragmatic view of the meaning of trademark ownership within the corporate enterprise than what the Board applied prior to the Federal Circuit's decision and has continued to apply after it.

This article will argue that the corporate enterprise should be given the latitude to decide how it arranges its trademark ownership to best suit its own needs, provided that the arrangement does not harm the consumer. That was the original intent of the drafters of the Lanham Act and is now more important than ever, given today's complicated, convoluted, multi-jurisdictional, multi-tiered, corporate enterprises and their complex product strategies involving intracompany and third-party licensing through many tiers of manufacturing, distributing and selling. The article will further show that properly read, *In re Wella* instructed a more liberal view of trademark ownership within the corporate family, and also will show that the Lanham Act does not require otherwise. Applying an overly formalistic standard for ownership only harms the corporate owner, to no one's benefit.

Part II of this article will review how trademark law was applied to the corporate enterprise and trademark licensees before the Lanham Act, then trace the development of section 5 of the Lanham Act throughout the legislative process. Part III of the article will review the treatment of business relationships after the Lanham Act was passed, including a review of all of the decisions cited in *In re Wella* and subsequent opinions that rely on them. Part IV proposes a reinterpretation of the TTAB application of the opinion by the Court of Appeals of the Federal Circuit in *In re Wella*, arguing that the Board should take a more liberal view of the concept of trademark ownership by the corporate enterprise.

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8 Consider, for example, naming rights for sports stadiums, licensing of trademarks in video games and movies; character licensing, licensing of the names of deceased individuals, and licensing of fictional brands.

9 787 F.2d 1549, 1550 (Fed. Cir. 1986).

II. THE HISTORY OF SECTION 5 OF THE LANHAM ACT

A. Pre–Lanham Act

1. The Corporate Enterprise

By the late 1930s, courts and the U.S. Patent Office (as it was called at the time) had been grappling with trademark ownership within the corporate enterprise. The existing trademark law was written during a time when a business was a single corporation that made its own goods. But corporations were becoming complex enterprises, where several different legal entities, subsidiaries, could be using the same mark and the owner might not be using it at all.

The Patent Office and judiciary were sympathetic to the problem, but they were hamstrung by existing law. As an example, U.S. Steel Corporation was unable to register a trademark for galvanized fencing and fence wire because it was a stock holding company.[10]

In his opinion on the case, the Assistant Commissioner wrote:

> [I]t becomes at once apparent that applicant can claim no ownership in the trade mark which it seeks to register, unless by virtue of its alleged ownership of the assets and good will of the subsidiary corporations employing the mark in trade; and this of course depends on the effect to be give its ownership of a majority or all the stock of such subsidiaries. On this point counsel have cited no authorities, but have rested their case on the bald assertion that ownership of the stock constitutes complete ownership of the corporations and all that is theirs.
>
> I am clearly of the opinion that this contention is unsound. Stockholders in a corporation, be they few or many, control its operations only to the extent that they select its officers and directors. Otherwise they exercise neither control nor ownership of its property, nor as long as it is a going concern, do any of them or all of them combined own any part of its assets. Were it otherwise no corporation could long exist, for if each stockholder owned a proportionate share of its property, obviously its ability to do business would hang upon the whim of every individual who may acquire a share of its stock.[11]

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10 *Ex parte* U.S. Steel Corp., 23 U.S.P.Q. 145, 146-47 (1934) (Opinion of Ass't Comm'r).

11 *Id.* at 146-47. Note that prior to 1958, when the Trademark Trial and Appeal Board was created by Public Law 85-609, 72 Stat. 540 (1958), the Commissioner of Patents was responsible for deciding appeals of refusals to register.

However in denying registration, the Assistant Commissioner acknowledged that there was no harm thus avoided, it was a simple matter of statutory interpretation:

> It is quite apparent that the method of procedure, which applicant seeks to follow would be advantageous to it, and probably also to its so-called subsidiaries; and I am inclined to agree with counsel that it would not be prejudicial to any interest of the public. But the registration of trade marks is a purely statutory proceeding, and the Patent Office has no alternative but to administer the law as it was written by Congress.[12]

As another example of the recognition that times were changing, Keebler, the maker of "Club Crackers," faced a claim that it had lost trademark rights when the trademark-owning subsidiary allowed its sister companies to also manufacture the crackers under the same trademark. In this case though, Keebler prevailed:

> The plaintiff is now one of sixteen wholly owned subsidiaries of the United Biscuit Company of America, which is a holding company owning all of the stock of its subsidiaries and controlling their policies and, of course, their methods of sale and manufacture. With the plaintiff's consent some seven of the other subsidiary companies have been producing the same kind of cracker and selling it in similar cartons, marked with their respective names and manufactured by another subsidiary, a carton manufacturing company. Not only did the plaintiff consent to this use, but it sent one of its employees to the other factory to show them how to manufacture the product . . . .
>
> Keeping pace with industrial and business development the law has advanced a considerable distance from the earlier decisions which were made when small individual businesses personally owned and personally managed were the rule rather than the exception . . . .
>
> I can see no imposition upon the public, no abandonment, and no other element which impairs a trade-mark right when the corporation who owns it, which in turn is owned by a general control, permits other corporations under the same general control to use the mark upon an identical product which they produce in accordance with the owner's directions and instructions.[13]

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12 *Id.* at 147.

13 Keebler Weyl Baking Co. v. J.S. Ivins' Son, Inc., 7 F. Supp. 211, 24 TMR 161 (E.D. Pa. 1934).

2. The Advent of Licensing

In the early twentieth century, trademarks could not be assigned or licensed at all without the transfer of the business itself. In *MacMahan Pharmacal Co. v. Denver Chemical Manufacturing Co.*,[14] the trademark owner owned a trademark for a liquid form of a medical preparation sold to dentists. It then sold the right to use the trademark in solid form to a Dr. Campbell. The court first held that the name in question, "antiphlogistine," was not source-identifying, then held alternatively that the sale to Dr. Campbell was an abandonment of the mark for the preparation in solid form:

> The main purpose of the contract was to transfer from complainant company to Dr. Campbell the right to use the word "Antiphlogistine" as a trade-mark for his preparation, which, by agreement, was not to be in "liquid form." There was no transfer to him of complainant's business, or any part of it, and no license to operate at complainant's place of business. The sole purpose was to separate what complainant called its trade-mark, reserving to itself the right to use it on its preparation in liquid form, and transferring it to Dr. Campbell for his use on preparation not in liquid form. This contract betrays a false conception of the character of trade-mark property. A trade-mark cannot be assigned, or its use licensed, except as incidental to a transfer of the business or property in connection with which it has been used. An assignment or license without such a transfer is totally inconsistent with the theory upon which the value of a trade-mark depends and its appropriation by an individual is permitted. . . . By familiarity with the trade-mark attached to the owner's merchandise, purchasers are enabled to buy what they desire, and are thereby protected against imposition and fraud. Disassociated from merchandise to which it properly appertains, it lacks the essential characteristics which alone give it value, and becomes a false and deceitful designation. It is not by itself such property as may be transferred.[15]

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14 113 F. 468 (8th Cir. 1901).

15 *Id.* at 474-75 (internal citations omitted); *see also* Affiliated Enters. v. Gantz, 86 F.2d 597, 599 (10th Cir. 1936) ("That the plaintiff, as sole and exclusive owner of 'Bank Night' and the good will appurtenant thereto, and being desirous of licensing the plan designated thereby to all possible users in all parts of the United States, has organized and established a nationwide organization for the sole purpose of advertising and licensing the said plan and use of the trademark 'Bank Night'; and large sums of money have been expended in behalf of such organizing and advertising. This is a bold claim to a right in gross or at large in a trade-mark. There is no such right."); Nims on Unfair Competition and Trade-marks, § 22 (3d ed. 1936), quoting *MacMahan*, 113 F. at 468-74.

The rule against transfers apart from the business was premised on the theory that a trademark was purely a source identifier, and a licensee's use did not convey correct information about the source:

> The assurance that was given to purchasers when the plaintiff sold to them was intended to be continued, but, as to machines sold under the license, such an assurance would be a falsehood. Neither as to the origin of the article, the place of manufacture, the concern, corporation, firm, or person by whom manufactured, or the transferee thereof, or the connection of the plaintiff therewith, did the label state to purchasers, when used under the license, what it was capable of stating when used by the plaintiff. It was a license to use a stamp, dissociated and stripped of truth and of its former significance, for the purpose of falsely inducing purchasers to believe that what it meant when used by the plaintiff it meant when used by the [licensee] defendant. At the earlier time the stamp meant that the plaintiff had contributed something of value to the article; at the later time it purported to mean the same thing, but spoke falsely. It is considered that the facts alleged in the complaint do not show a valid license to use a trade-mark.[16]

As explained in the leading trademark treatise of the time:

> This being the nature of marks of trade, all uses of such marks by lease, license or grant are unnatural uses, confusing to the public, and all contracts of lease, license or grant are contrary to public policy unless the transfer is accompanied by a transfer of the business itself. Especially is this rule important as to marks used on medicines, goods or articles that may be harmful in use. Public interest requires that brands shall afford the consumer accurate means of ascertaining the exact source of merchandise. A lease or license of a mark apart from its business with which it is used, constitutes an abandonment of the mark and rightfully so.[17]

Eventually, though, courts began to adapt to the modern business practices of successful companies, finding ways to ratify their practices. Coca-Cola Bottling Co. had more success with its soft

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16 Lea v. New Home Sewing Mach. Co., 139 F. 732, 732 (C.C.D.N.Y. 1905); *but see* Nelson v. J. H. Winchell & Co., 203 Mass. 75, 82-83, 89 N.E. 180, 183 (1909) ("And this was not a personal trademark, but one connected with the business carried on by him under the name of the Washington Shoe Company. It could be assigned and made to pass with a transfer of that business and that name. As the absolute property in it could have been so assigned, a limited interest by way of license, to continue either for a fixed period or while license fees were paid, or while the plaintiff should continue in the employment of the defendants, could also be created.").

17 Nims on Unfair Competition and Trade-marks, § 22 (3d ed. 1936).

drink licensing than McMahan Pharmacal had with its licensing of antiphlogistine in non-liquid form. Coca-Cola, "the Georgia corporation" and "party of the second part," distributed bulk syrup to soda shops.[18] It granted the defendants, the "parties of the first part," the exclusive right to bottle a beverage manufactured using the same syrup, which had never been done before.[19] The first hurdle was that there were no existing trademark rights in the bottled drink:

> The Georgia corporation was not at the time of the execution of the contract the owner of an actual bottling business, for theretofore it had not actually bottled the drink Coca-Cola. It was, however, the sole and exclusive owner of the secret process, was the sole manufacturer of the syrup made thereunder, and was the exclusive owner of the trade-mark and good will. The drink could be bottled. This fact appears from the contract itself. It follows that the Georgia corporation, though not then actually engaged in bottling the drink, was the sole owner of all the rights essential to the bottling and sale thereof as Coca-Cola. Out of these rights the business of bottling the drink and selling it as Coca-Cola could arise. Without these rights such business could not be established. From these facts it seems clear that at the time of the execution of the contract the business of bottling the Coca-Cola and selling it when bottled had a potential existence, that all rights in the potential bottling business were owned by the Georgia corporation, and that such business, though potential, and not actual, could be sold.[20]

The problem of transferring a non-existent business solved, the next problem was that the arrangement appeared to be a license, an improper vehicle for use of a trademark. However, rather than considering it a license, the court characterized it as the assignment of Coca-Cola Bottling Co.'s trademark rights in the future existence of Coca-Cola in bottles coupled with the requirement that the existing rights be returned to Coca-Cola at the end of the contract:

> As I understand the contract, the rights in good will and trade-mark name acquired under the contract by the bottlers were the same in character and as permanent as if the Georgia corporation had sold to them an established bottling business with its trade-marks and good will.[21]

Justifying the decision, the court said:

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18 Coca-Cola Bottling Co. v. Coca-Cola Co., 269 F. 796, 799, 11 TMR 134, 135 (D. Del. 1920).

19 *Id.* at 800, 135-137.

20 *Id.* at 806, 144-45.

21 *Id.* at 808, 146-47.

> For no one may sell his goods as the goods of another. Such an act would be a fraud upon the public. But, where the trade-mark of a retailer is assigned by him to the manufacturer of the commodity to which the trade-mark was affixed, there is no false representation to the public, and such assignment is valid. The last proposition arises, apparently, from the fact that a trade-mark does not as a matter of necessity and law import that the articles upon which it is used are manufactured by the user. It is sufficient that they are manufactured for him, that he controls their production, or that in the course of trade they pass through his hands. If a retailer may assign his trade-mark to the manufacturer of the article sold by the retailer, it would seem that the converse is necessarily true, and that the manufacturer may assign his trade-mark to another, who sells the goods of the manufacturer.[22]

Thus, use of a trademark by another under an exclusive license eventually became acceptable, because it hewed to jurisprudential need for a trademark to identify a single source, albeit divided by territory or term:

> It is true, as contended by appellee, that a naked license to use a trade-mark is of no more validity than a naked assignment thereof. But a trade name, like a trade-mark, may be assigned, licensed, or lent, as long as it remains associated with the same product or business with which it has become associated in the public mind. An owner of a trade name who lends the use of such a trade name, may resume its exclusive use according to the terms of the lending. A manufacturer of a certain commodity, by agreeing to allow the purchaser thereof the use of its trade name for a certain period, did not lose the exclusive right to the name after the expiration of the term; and one may introduce his trade-mark and create a demand for his variety of goods in a new territory, by licenses.[23]

By this rationale non-exclusive licenses were still "void and illegal,"[24] but the courts eventually relaxed even this view over time. In a decision after the effective date of the Lanham Act, but decided

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22 *Id.* at 806, 144 (internal citations omitted).

23 E. F. Prichard Co. v. Consumers Brewing Co., 136 F.2d 512, 519, 33 TMR 370, 376 (6th Cir. 1943) (internal citations omitted).

24 Schering & Glatz, Inc. v. Am. Pharm. Co., 236 A.D. 315, 317, 22 TMR 433, 435 (N.Y. Sup. Ct. 1932), citing Falk v. Am. W. Indies Trading Co., 180 N.Y. 445, 73 N.E. 239 (1905); Seeck & Kade, Inc. v. Pertussin Chem. Co., 235 A.D. 251, 252, 256 N.Y.S. 567, 568 (App. Div. 1932) ("[A] non-exclusive license to a trade-mark issued to many individuals, apart from the business of which it was a part, would be void and of no effect," also citing *Falk*). *Falk*, however, stands for the proposition that a trademark was not assignable without the business, not what we think of today as a license situation.

under the older law, the Court of Customs and Patent Appeals[25] held that the grant of a non-exclusive license, where the licensor expressly reserves the right to continue to use the mark and where the license agreement allowed the licensor to terminate, was not an abandonment of the trademark.[26] However, even this far into the century, the dissenting judge sharply disagreed with the conclusion.[27]

But while courts may have become more willing to accommodate the evolving landscape of licensing, the Patent Office had not. Frederick Osann Company filed an application to register the mark SEWHANDY and submitted to the Patent Office a label that said "The Standard Sewing Machine Co." The president of the Frederick Osann Company stated that the goods were invented, designed and developed by the company but the machines were manufactured by the Standard Sewing Machine Co. under the control of Frederick Osann Co. Nevertheless, registration was refused, the Commissioner noting:

> It is clear enough registration under these conditions should be refused. Registration can only be obtained by the owner of a mark, Sec. 1 of the trade mark act of Feb. 20, 1905. The applicant, while appearing before this Office as the owner, uses the mark before the public and in business in a manner to substantially state that the Standard Sewing Machine Company is the owner. The Office should not further deception of this kind.[28]

These were the problems the legislators were trying to fix with the new trademark law: the uncertainly of trademark rights when trademarks were used within a corporate family and when they were licensed.

B. The 1938 Introduction

The Lanham Act became law in 1946 (to become effective on July 7, 1947), but it was introduced eight years earlier. The first version of what is now section 5 was introduced as section 6:

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25 The U.S. Court of Customs and Patent Appeals was the predecessor to the Court of Appeals for the Federal Circuit. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

26 E.I. Du Pont De Nemours & Co. v. Celanese Corp. of Am., 167 F.2d 484, 490, 38 TMR 666, 673 (C.C.P.A. 1948).

27 *Id.* at 494, 678 (O'Connell, J. dissenting: "[S]ince appellee's mark admittedly no longer serves to indicate origin of the described dyestuffs solely in appellee [because it was non-exclusive], and since appellant is deemed injured by appellee's registration, under the provisions of section 13 of the Trade-Mark Act of 1905 and the authorities hereinbefore cited, appellant obviously was entitled to prevail in the proceedings it had heretofore begun in the Patent Office on the ground that appellee's mark has become abandoned.").

28 *Ex parte* Frederick Osann Company, 5 U.S.P.Q. 222, 223 (Comm. of Patents 1930).

> Where the trade-mark sought to be registered is used by subsidiary or related companies, the application shall so state, and such use shall be deemed exclusive; and use of registered trade-marks by companies subsidiary or related to the registrant shall not affect the validity of such trade-mark or of its registration.[29]

This proposal, without a definition of "related companies," was designed to cover the corporate enterprise problem.[30] The transcripts of the Congressional hearings explain how the law had not kept up with business practices:

> Mr. Lanham.[31] In one of the briefs submitted to me the following statement is made:
>
> > There is no statutory provision in the existing law [i.e., the pre-Lanham Act statute] which permits the use of a trade-mark by subsidiary and affiliated companies, without rendering the mark invalid. It is being done but only under various precautions superimposed by counsel, and even then with uncertainty as to the validity of such use being sustained in the event of litigation. Obviously this section was designed to remedy that situation. This section provides that such use may be made without assuming the validity of such trade-mark or of its registration . . . .
>
> I am simply reading that to endeavor to bring out in these hearings what I have received from various sources pertaining to this bill, and I am trying to bring them out at the time that the respective sections are considered. Mr. Rogers, we would be glad to hear from you, if you have anything to say on section 6.
>
> Mr. Rogers. Section 6 was aimed to meet the very situation to which that correspondence refers. The present law says that the applicant must make an affidavit that he is entitled to the exclusive use of a mark, and no one else in the United States has any right to use it.
>
> In modern corporations we all know that business is done largely through subsidiaries scattered throughout the country. They are all using a trade-mark under such

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29 Hearings Before the Committee on Patents, Subcommittee on Trade-Marks, House of Representatives, 75th Cong. 3d sess. on H.R. 9041, Mar. 15, 16, 17, 18, 1938, p. 2.

30 Leslie D. Taggart, Trade-marks and Related Companies: A New Concept in Statutory Trade-mark Law, 14 Law & Contemporary Problems 234, 241 (1949).

31 The quoted speakers are Fritz G. Lanham, U.S. Representative from Texas and Chairman of the Subcommittee on Trade-marks, Committee on Patents, Edward S. Rogers, a lawyer from Chicago, Illinois, and Conway P. Coe, Commissioner of Patents.

precautions as self-interest indicates on the part of the company controlling the various subsidiaries.

There are some recent decisions which say that a mark so used cannot be registered, and I should say it would follow as a corollary that when a mark is so used its registration can be canceled.

No provision was made to take care of that situation in the 1905 act because when this act was passed business was not done that way.

. . . .

Commissioner Coe. Mr. Chairman, I have only this question to raise to clarify one possible interpretation of this section. Do you have in mind, Mr. Rogers, that this would cover the case of a holding company which does not engage in any manufacturing itself, but simply licenses or gives the manufacturing companies the right, as distinguished of course from the case where the parent company is engaged in the manufacture of goods, as well as the subsidiary that it controls?

Mr. Rogers. I had in mind that it would include a holding company. A holding company, though not actually producing goods, acts through agents, and subsidiaries, and I should say, as a matter of law, the holding company is actually the producer of the goods except, if we are to be highly technical.

These corporate entities are like different persons. As a matter of fact, in the case of the United States Steel Corporation, in which case a registration was involved in a case recently decided, the Steel Corporation is not the operating company, and operates through subsidiaries, and the technical ownership was in the Steel Corporation, but the actual use was in a company in which the Steel Corporation owned all the stock.

I cannot reason so artificially as to satisfy myself that that is not a use by the Steel Corporation, but the court held otherwise and said that that was a separate use by a separate legal entity and, therefore, the registrant was not using the mark and could not own it. The subsidiary was using the mark, and it was not the registrant. So, there you are.[32]

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32 Hearings, *supra* note 29 at 134-36.

C. The 1939 Re-introduction

It was a new Congress in 1939 and so a new bill was introduced.[33] In this version, the related company provision was in section 5, where it remains today. As introduced, and adopting some suggested changes from the 1938 hearings, it said:

> Where the trade-mark sought to be registered is or may be used by subsidiary or related companies, or by the members of an association, such use shall be deemed exclusive in the holding or parent company or in the association; and use of registered trade-marks by companies subsidiary or related to the registrant or by members of an association, shall not affect the validity of such trade-mark or its registration.[34]

"Related company" was now defined, as "any individual, partnership, or person within the definition above where by stock ownership, contractual relationship, or otherwise, the nature and quality of the goods upon with the mark is used is controlled by the registrant."[35] Thus the concept of a license, a "contractual relationship," was also introduced.[36] The hearings show that use of the same mark by different family members was not controversial, but licensing had its advocates and opponents:

> Mr. Fuldner.[37] In this section 5 also the term "related company" as defined on page 30 is entirely too broad, in my opinion, and it is not in line with trade-mark law. The phrase "contractual relationship, or otherwise," the meaning of that would be very difficult to determine, and I strongly object to that definition of "related company." It is entirely too broad, as defined on page 30.
>
> Mr. Rogers. Of course, what is aimed at in this section is the modern way of doing business in this country through subsidiaries. Take the Ford Motor Co., for instance, and they have factories all over the country in every State of the Union. They are all controlled either by contract or stock

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33 76 H.R. 4744 (1939).

34 Hearings Before the Committee on Patent, Subcommittee on Trade-Marks, House of Representatives, 76th Cong. 1st sess. on H.R. 4744, Mar. 28, 29, 30, 1939, p.2.

35 *Id.* at 9.

36 Leslie D. Taggart, Trade-marks and Related Companies: A New Concept in Statutory Trade-mark Law, 14 Law & Contemporary Problems 234, 242 (1949).

37 The quoted speakers from the 1939 hearings are Mansfield C. Fuldner, from the patent department at General Foods Corporation, H.J. Savage, patent counsel for National Biscuit Co., Rep. Fritz G. Lanham, U.S. Representative from Texas and Chairman of the Subcommittee on Trade-marks, Committee on Patents, Edward S. Rogers, a lawyer from Chicago, Illinois, Stewart L. Whitman, an attorney in New York, New York, and Karl Fenning, a patent attorney in Washington, D.C. The reader might find it curious that the objector to the provision is a lawyer for General Foods Corp. and the advocate for the provision is a lawyer for National Biscuit Co.

ownership, but they are all using the word "Ford" on the cars which they sell. Under existing law nobody can get registration, [sic] because nobody can make an affidavit that no one else has the right to use the mark. Sometimes there is no stock ownership. Sometimes one of the products made is controlled by contract. In order to make the statute conform to modern business practice something of this kind is needed, because the statute which as passed in 1905, before this question of local companies became so important, did not contemplate any such thing and did not provide for it.

Mr. Fuldner. I quite agree with Mr. Rogers' statement with respect to subsidiary companies, and I think that would be a very good amendment to the present law. It is true that something is needed along this line, but if we use the word "company" or "companies" and then define that as a contractual relationship, it may be a single contract or it may be any number of contracts with any number of other enterprises, which might create license in trade-marks, but I object to the definition of related companies as it is set forth here.

Mr. Savage. Mr. Chairman.

Mr. Lanham. Mr. Savage.

Mr. Savage. I think that contractual relationship clause just carries out, or makes statutory the present law. You all know Coca-Cola, of course, and that is one company, the Cola-Cola Co. They merely bottle the Coca-Cola sirup which they, in turn, sell to a great many selected dealers, and they give them the privilege of using the name Coca-Cola on the bottled product. Now, they have been protected in that by judicial decisions, but I think we ought to provide in the act that they should be protected in their use of their name "Coca-Cola."

Mr. Lanham. That is licensed, is it not?

Mr. Savage. Yes; they license selected dealers who buy their sirup, dilute it and bottle it, and sell it to the consuming public, using the name "Coca-Cola" on it.

Mr. Rogers. Yes; but under the supervision of the Coca-Cola Co.

Mr. Savage. Yes.

Mr. Rogers. So that, what the customer gets is Coca-Cola, which is guaranteed by the Coca-Cola Co.

Mr. Savage. That is right.

> Mr. Rogers. And they should be protected in the use of that name "Coca-Cola."
>
> Mr. Savage. That is, the owners of the product; yes.
>
> Mr. Rogers. But that is a contractual relationship, and the contractual relationship in the definition is limited in such a way that the registrant continues to control the identity of the goods.
>
> Mr. Savage. I do not see any objection to the owner of the trade-mark, who has established a business and the quality of goods on which the mark is used, I see no objection to his selecting the manufacturer anywhere in the country and licensing him to make that quality of product and using that trade-mark on it. Where he maintains control over it that name can be used on that quality of product. I see no objection to that, that anyone with a trade-mark, who has established that product and the quality of the product, selecting manufacturers and permitting them to use the trade-mark.[38]

The concern with including contractual relationships was a loss of trademark significance. The corporate enterprise had a self-interest in controlling its mark, but the thought was source significance would be lost if the mark was licensed:

> Mr. Whitman. I agree with the previous speaker that in case of a corporation having subsidiaries, for strategic reasons it may be very important that those subsidiaries should manufacture the goods because of distribution, or in order to put them on the market fresh, or for some other reason in other parts of the country. It just simply raises this though: Would it be possible, for example, to ultimately use this in its present broad form, as a means for destroying public faith in trade-marks? The public at the present time looks upon trade-marks as a guide in buying goods. I think they are really interested in the fact that a particular concern is back of it. They know the name, and they have faith in it, because the article is made by a particular concern, and they are entitled to be protected in that belief. Under the term "related companies" as defined here, a person might license his trade-mark by contractual relationship to individuals, John Jones or Bill Smith, and in such event I doubt whether there is the same significance to that trade-mark as was where the corporation was allowing its subsidiaries to do it, because, if you once divide responsibility in that way, there may be a lessening of the integrity behind that trade-mark and behind the whole enterprise. For instance, if I make soap

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[38] Hearings, *supra* note 34 at 58-59.

here in the East, and I license John Jones out on the West Coast to make that same soap and use my trade-mark, he may not keep faith with me, and I may not take the trouble to check on him. On the other hand, a corporation having subsidiaries in different places, or throughout the country, would certainly see to it and take every precaution to keep the goods or articles up to specifications, but where individuals are concerned, it seems to me that there is a likelihood that the goods may become deteriorated, because they will not keep that close touch, and that trade-mark will lose cast and the public eventually say that you cannot rely on trade-marks any more. They will cease to say I will buy this or that brand of merchandise because I know who is back of it, and ultimately the large investment that the corporations have made in it and in its development may be harmed. I am just questioning whether we should not change this term "related to corporations and their subsidiaries."

Mr. Rogers. May I call the committee's attention to page 30, the definition of a related company:

> The term "related company" means any individual, partnership, or person within the definition above whereby stock ownership, contractual relationship, or otherwise, the nature and quality of the goods upon which the mark is used is controlled by the registrant.

Now of course, if a man wants to commit commercial suicide by putting out inferior goods, or deteriorating the quality of his goods, there is no statute against that.

Mr. Lanham. Control is made mandatory here in order to get a trade-mark?

Mr. Rogers. Absolutely.

Mr. Whitman. The only point I wanted to make, however, was that there is not the likelihood that an individual would carry out the making of the product in the same way as if the corporation had control. In other ways it is harmful because there is not the close tie-up, and it is not the same family. The subsidiaries of a corporation are all members of the same family, and what one member of the family does affects the parent.

Mr. Lanham. But, in practice, if it had to be controlled by the registrant, he would not permit any deterioration of the quality of his product to go on very long, would he?

Mr. Whitman. It might be he will say I will make money out of licensing this trade-mark, make all I can make out of it while this continues, and then I can go on and do something else.

> Mr. Fenning. He can change the character of his goods now under his trade-mark and make it himself and sell it.
>
> Mr. Whitman. But we should not encourage that; we should do all we can to discourage it.[39]

Thus, the hearings had more controversy around the concept of licensing, i.e., control through contract, than of use of the same trademark in the parent-subsidiary relationship. The legislators believed the enterprise could generally be trusted to self-police within the corporate family, but licensing was a riskier proposition.

D. The 1944 Hearings

As the hearings continued over the years, the license relationship continued to be controversial. By 1944, the concern was based on a belief it would lead to monopoly:

> Mr. Moyer.[40] An illustration of what might occur under the bill is found in the Ethyl case, decided by the Supreme Court . . . .
>
> I suggest that Mr. Diggins might explain the situation to which I refer.
>
> Mr. Diggins. That case I think brings out one of the serious difficulties that we find in this whole bill. In the Ethyl case here was the situation: the Ethyl Co. owned a patent on the tetraethyl lead. It owned a patent on the mixture of tetraethyl lead with gasoline, and it owned the patent on the burning of tetraethyl lead gasoline in automobiles.
>
> They tried by means of a licensing provision in patent licenses which were issued to refiners, to jobbers, and I believe even went down to gasoline stations, to fix the price at which ethyl gasoline could be sold. They also controlled a number of other factors in the marketing of ethyl gasoline. They controlled, for example, how much ethyl fluid could be put in gasoline of one type. High test would take so much ethyl, and the next step would take so much ethyl, and I believe you would put some in your regular gasoline. Anyhow they controlled it very strictly.
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> When that price-fixing case went to the Supreme Court that Court held that the Ethyl Co. had any number of ways of exploiting their invention. This was a group of patents which

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39 *Id.* at 59-60.

40 The quoted speakers at the 1944 hearings were Elliott H. Moyer, special assistant to the Attorney General, Antitrust Division, Department of Justice, Bartholomew Diggins, in the Antitrust Division of the Department of Justice, Senator Claude Pepper of Florida, member of the Committee on Patents, Senator Albert W. Hawkes, member of the Committee on Patents, and Daphne Robert, member of the trade-mark committee, American Bar Association.

were a real contribution to our knowledge and to our general well-being. The Supreme Court said that the Ethyl Co. had chosen to obtain their reward by marketing the ethyl fluid, and that once they had sold that ethyl fluid and had obtained for themselves a full reward for the ethyl they contemplated, their rights under the patent were completely exhausted. So that they could not control the price of these jobbers, dealers, and other people, in the sale of gasoline.

Now remember also that not only was the Ethyl Co. at that time working with a patent which was a real contribution, but they were also working with a patent which would in time expire. At the end of 17 years their rights would be exhausted. Under this bill the jobbers, the dealers, would be placed under the definitions of this language "related company," because the Ethyl Co. controlled the nature and the quality of the goods in connection with which the mark is used. They control the nature and the quality of the gasoline on which you could use the mark "ethyl." They did that specifically. These people, jobbers, distributors, and dealers, then become related companies entitled to the full right to use the trade-mark, would come up against a proposition the minute the Ethyl Co. decides to use the Fair Trade Practices Act. They decide to use the Miller-Tydings Act. The whole price structure is fixed, not with a view to removing a contribution like a patent, not a right limited as to time, but a right which is perpetual under the trade-mark law, a right which gives nothing absolutely under the arts or sciences.

I doubt if that is a right you wish to give.

Senator Pepper. Where would you find authority such as you fear?

Mr. Diggins. The authority is in the question of registration and ownership by related companies.[41]

The subcommittee considered removing the contractual provision to address the concern:

Mr. Moyer. On page 44, substitute for the present definition of "related company" the following definition:

The term "related company" means any firm or corporation which wholly owns another firm or corporation, or which is wholly owned by another firm or corporation.

Senator Pepper. Is there any objection to that?

Senator Hawkes. Will you repeat what you just read, please?

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41 Hearings Before a Subcommittee on of the Committee on Patents, Senate, 78th Cong. 2d sess. on H.R. 82, Nov. 15 and 16, 1944, pp. 92-93.

> Mr. Moyer (reading):
>
> The term "related company" means any firm or corporation which wholly owns another firm or corporation, or which is wholly owned by another firm or corporation.
>
> That would take care of a true subsidiary problem.
>
> Senator Pepper. That eliminates contract control or mass ownership?
>
> Senator Hawkes. It makes it complete rather than 51 percent. . . . Your point is that it involves the necessity of complete ownership and control, and no other kind of control, by contract right or otherwise, can be used as control?
>
> Mr. Moyer. That is right. It recognizes the problem which was presented with respect to United States Steel, or other companies, that have multiple organization for operating reasons.
>
> . . . .
>
> Senator Pepper. Suppose you said, "Other than by contract," then control would have a legal meaning as to when one company would control.
>
> Senator Hawkes. I like that idea.
>
> Senator Pepper. Other than by contract. That eliminates the power to gain control by contract, where you have real control in the sense we think about. Would you have any objection to that?[42]

But the subcommittee was reminded that licensing was a legitimate business practice, which would be negatively impacted by Senator Pepper's proposed change:

> Senator Pepper. Well, what kind of a case do you have in mind, Miss Robert, as properly coming in there? What was that intended to accomplish?
>
> Miss Robert. Well, let's take, for example, the Williams Shaving Cream mark. Suppose, for example, that Williams does not manufacture soap, although it has a closely related article. They do manufacture shaving cream and they use that mark on it. They have a related company, that is, a company over which they exert control as to the nature and the quality of the soap that is manufactured by this company, and permit them to use that Williams mark on the soap, so that, the public buys from this second company the trade-marked article alone, and the public knows that they are getting goods of a certain quality because it does bear that trade-mark, which symbolizes the goodwill; and the use by

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[42] *Id.* at 147-48.

> that second company would not invalidate the registration of the first company, the shaving-cream company, but the use by that second company would inure to the benefit of the first company.[43]

Whether to make licensing lawful was a fundamental decision to be made:

> Mr. Moyer. That seems to me to be a frank statement: Are we going to allow companies that are potential competitors by a device in the bill to enter into agreements with respect as to the quality and other elements of their products? That is the manner in which prices are fixed, territories allocated, and fields of production are determined. They say, "We will let you use our Williams mark on soap, but you stay out of the toothpaste and shaving-cream field." It gets more sophisticated when you get into some of the drugs. The ground of justification just stated by Miss Robert is, of course, a complete shift from the example given of a company that for operating reasons utilizes several different corporations.[44]

But the contractual relationship ultimately survived, with the assurance that antitrust law would ensure trademarks could not be used to monopolize:

> Senator Pepper. Now, Miss Robert, taking the Coca-Cola Co. again, they license anybody that they wish to use the trade-mark of Coca- Cola?
>
> Miss Robert. On the bottled product. The Coca-Cola Co. itself makes a beverage sirup. Throughout the United States there are some 1,050 small businessmen who are authorized to use that trade-mark "Coca-Cola" on the finished product. That authorization is by contract as between the parent company, the owner of the trade-mark, and the bottling company who uses it on the bottled product.
>
> The Coca-Cola Co. supervises and controls the nature and quality of the product which is put out by the bottler under the trade-mark and the consuming public purchases it by that mark.
>
> . . . .
>
> Senator Hawkes. That is the point I want to bring out. They are controlled definitely by contract agreement, I would like to ask Mr. Moyer, why do you think that leads to any different kind of monopoly than if the company itself put in plants all over the United States and did that same job they

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43 *Id.* at 148.

44 *Id.* at 149.

> chose to do in this other way according to the free enterprise system of the United States as we have known it?
>
> Mr. Moyer. I am not sufficiently acquainted with the details of the Coca-Cola contracts—
>
> Senator Hawkes. I didn't have that only in mind. I mean anything similar to what Miss Robert has outlined.
>
> Mr. Moyer. Well, because, Senator, inevitably over a considerable segment of our economy, once there is a sanction for it, there will be high prices, capacity limitation agreements, and arrangements between competitors not to invade each other's fields.
>
> Senator Hawkes. But doesn't that get outside of the trade-mark situation? In other words: it seems to me you are getting into the field of monopolistic practices and things that are declared illegal by other statutes on the books.[45]

As a result, the word "legitimately" was inserted in section 5 and the definition of "related company," to ensure antitrust law could be enforced against monopolistic behavior that might be carried out through licensing arrangements.[46]

E. The Lanham Act as Passed

As passed, the related company provision in section 5 was:

> 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.[47]

Section 45 defined "related company":

> The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.[48]

Commentators opined that the proper interpretation of this new provision of the Lanham Act was that control could be exerted though ownership of the entity or by contractual agreement.[49] One

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45 *Id.* at 150-51.

46 H.R. Rep. No. 79-1333, at 1 (1946).

47 Pub. Law 79-489, 60 Stat. 427 (1946).

48 *Id.*

49 Leslie D. Taggart, Trade-marks and Related Companies: A New Concept in Statutory Trade-mark Law, 14 Law & Contemporary Problems 234, 246 (1949), citing Report of the Trade Mark Committee of the Patent Law Association of Chicago, 11-14 (1948) and

commentator took the view that, where there was a corporate family relationship, the parent and the subsidiary would be considered a single enterprise, with either entity named as the legal owner.[50]

F. Trademark Law Revision Act of 1988

There was one more amendment to sections 5 and 45. As part of the Trademark Law Revision Act of 1988, a sentence was added at the end of section 5:

> If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.[51]

The Committee Report explained that the change was not meant to alter substantive law but only reflected what had already been a regulatory practice:

> This concept, which currently appears in the Trademark Rules of Practice (37 C.F.R. 2.38(a)), reflects the prevailing view of the courts. Its inclusion in the Act at this time should not be interpreted as calling into question the validity of trademark rights heretofore established through licensee first use.[52]

The definition of "related company" was also amended. Rather than defining "related company" as one who controls, or is controlled by, the other, it was amended to define related company as the entity being controlled:

> The term 'related company' means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.[53]

The reason given for the change was to "eliminate the confusion that exists about whether a related company can control the registrant or applicant as to the nature and quality of goods or

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concluding that the result would be the same as the then-current wording; W.G. Reynolds, *Contemporary Problems in Trademark Licensing—Related Company Concepts*, 49 TMR 1141, 1149 (1959) (describing the Lanham Act as allowing for control through contract or majority stock holding).

50 Leslie D. Taggart, *supra* note 49 at 246.

51 Pub. L. 100-667, § 107, 102 Stat. 3935, 3938 (1988).

52 S. Rep. 100-515, at 28 (1988).

53 Pub. L. 100-667, § 107, 102 Stat. 3935, 3947 (1988).

services."[54] The public law also removed the word "legitimately,"[55] to remove any inference that use or control could be illegitimate.[56]

G. Current Language

The current wording of section 5 is:

> 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. If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.[57]

Related company is defined as:

> any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.[58]

We therefore see that the Lanham Act was designed to address two problems with the prior law: the lawfulness of use and registration of trademarks by a multi-party corporate enterprise and the lawfulness of a trademark licensing model. Of the two, licensing was considered a much greater threat to the role of the trademark as the identifier of source. The corporate enterprise was not controversial, and its legal structure ensured that the trademark was going to be an accurate indicator of source information, with the source the enterprise as a whole.

III. THE INTERPRETATION OF "RELATED COMPANIES"

The courts and the TTAB now had to interpret the meaning and implications of the new section 5. Despite the legislative effort to ring in a new era, the TTAB's subsequent decisional law quickly reined in the broadening effect that the new section 5 might have had.

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54 S. Rep. 100-515, at 44 (1988).

55 Pub. L. 100-667, § 134, 102 Stat. 3935, 3947 (1988).

56 S. Rep. 100-515, at 44 (1988).

57 Lanham Act § 5, 15 U.S.C. § 1055 (2012).

58 Lanham Act § 45, 15 U.S.C. § 1127 (2012).

A. Early Cases

Some early cases construing section 5 held the view that majority stockholding alone made companies related.[59] However, the Board soon dismissed this theory; rather, it held that the question in all cases was whether control was actually exercised, stating there was no indication the legislature meant to alter the legal standard,[60] despite statements in the legislative history that the family relationship itself was a per se control.[61] The Board also made a critical decision that marks owned by different family members could still be refused under section 2(d) where they were confusingly similar:

> It is in effect applicant's contention that inasmuch as the registration of "K-G" owned by its subsidiary corporation, issued under the Trademark Act of 1905, it does not constitute a bar to the registration by applicant of the same mark under the Trademark Act of 1946 in view of the provisions of Section 5 thereof. This contention is without merit.
>
> Section 5 merely provides that "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 * * *." This section obviously contains nothing which would in any way tend to sanction the issuance of registrations of the same

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59 W.G. Reynolds, *Contemporary Problems in Trademark Licensing—Related Company Concepts*, 49 TMR 1141, 1149 (1959) (stating that the trademark owner's ownership of majority stock in a manufacturing company makes them related companies "without any necessity for contractual ties or exercise of actual quality control between them"), describing *Ex parte* Pure Oil Co., 99 U.S.P.Q. 19, 20, 44 TMR 306, 307 (1953) (Opinion of Ass't Comm'r) (where the mark was used by subsidiaries, franchised dealers and independent dealers, the Assistant Commissioner only required proof of control over the franchised dealers and independent dealers); F. Vern Lahart, *Control—The Sine Qua Non of a Valid Trademark License*, 50 TMR 103, 125 (1960) (pointing out same distinction in *Ex parte* Pure Oil Co.).

60 L. & C. Hardtmuth, Inc. v. Fabrique Suisse De Crayons Caran D'ache S.A., 123 U.S.P.Q. 546, 546 (T.T.A.B. 1959) ("The stipulation recites that opposer and Koh-I-Noor Pencil Company, Inc., are 'related companies in that they both have substantially the same stockholders; have the same directors and officers; and occupy the same premises.' It does not follow from this statement, however, that the two companies are 'related companies' within the meaning of the trademark statute so that use of a mark by one company inures to the benefit of the other company."); *In re* Raven Marine, Inc., 217 U.S.P.Q. (BNA) 68, 69 (T.T.A.B. (1983) ("The record fails to establish that applicant controls or is controlled by Transocean and neither one is the subsidiary of the other, it appearing only that applicant and Transocean have the same principal stockholder and officer (i.e., B. Favret, the president and principal stockholder of each company). . . . [T]herefore we do not believe that Transocean may be deemed so related to applicant that its use of the marks in this case inures to the benefit of applicant under Section 5 of the Act.")

61 *See supra* text accompanying notes 32, 38.

> mark for the same goods to two or more separate legal entities, regardless of any possible relationship between them, in contravention of the express provisions of Section 2(d) prohibiting the registration of a mark which so resembles a mark "registered in the Patent Office * * * as to be likely, when applied to the goods of the applicant, to cause confusion or mistake or to deceive purchasers."
>
> . . . [T]he registration cited by the examiner constitutes a bar to the registrations for which applicant has made application.[62]

At the time, Section 2(d) of the Lanham Act prohibits registration of a mark that "so resembles a mark registered in the Patent Office or a mark or trade name previously used in the United States *by another* and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion or mistake, or to deceive purchasers."[63] The TTAB's view was that a wholly owned subsidiary corporation had always been considered "another" separate legal entity in relation to its parent corporation.[64] Thus, there could be a likelihood of confusion refusal between applications filed by companies within the same corporate family.

Several times applicants tried to persuade the Board that the related company provision of section 5 should obviate likelihood of confusion, but without success. A U.S. distributor that was a sibling company of a foreign manufacturer pointed out that the provision allowed registration by either the controlled or the controlling party (at this point in the section's history), but the Board was not

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[62] *In re* Air Prods., Inc., 124 U.S.P.Q. 81, 81 (T.T.A.B. 1960) (ellipses in original); *see also In re* Champion Int'l Corp., 220 U.S.P.Q. 478, 479 (T.T.A.B. 1982) ("While applicant's remarks have been carefully considered, the Board remains of the view that the *In re Air Products, Inc.* case, *supra*, and the line of cases following are sound and should remain undisturbed."); *In re* Knight's Home Prods., 175 U.S.P.Q. 447, 448 (T.T.A.B. 1972) ("It is well settled, however, that these companies are two distinct legal entities, and that the 1946 Act does not contemplate the issuance of the same or confusingly similar marks to two separate legal entities"), citing Int'l Radio and Elecs. Corp. v. Crown Radio Corp., 150 U.S.P.Q. 394, 396, n.1 (T.T.A.B. 1966) (noting that should the applications filed by a corporate and its subsidiary be approved for registration, they would have to have the same owner); *In re* Eucryl Ltd., 193 U.S.P.Q. 377, 378-79 (T.T.A.B. 1976) (decided based on manufacturer-distributor doctrine: "It is clear from a consideration of the two pertinent sections of the Act that while one of two or more related companies may apply to register a mark the related company that applies must be the one that is the owner of the mark. There is no question here that [manufacturer and sister company] Eucryl was and still is the owner of the mark and that [applicant and distributor] J. Schmid did not own the mark when the application was filed.").

[63] Lanham Act § 2(d), 15 U.S.C. § 1052(d) (1958) (emphasis added), available at http://cdn.loc.gov/service/ll/uscode/uscode1958-00301/uscode1958-003015022/uscode1958-003015022.pdf.

[64] *In re* Citibank, N.A., 225 U.S.P.Q. 612, 614 (T.T.A.B. 1985), citing *In re* Air Prods. Inc., 124 U.S.P.Q. 81 (T.T.A.B. 1960).

convinced that the new section changed the fact that ownership was still a matter of control:

> Section 5 . . . gives no hint as to which related company may apply to register but Section 1 of the Act of 1946 provides that "The owner of a trademark * * * may register * * *." Section 1(a) provides further that the applicant must include "a statement to the effect that the person making the verification believes * * * (the) corporation * * * to be the owner * * *." It is clear from a consideration of the two pertinent sections of the Act that while one of two or more related companies may apply to register a mark the related company that applies must be the one that is the owner of the mark. There is no question here that [the foreign manufacturer] was and still is the owner of the mark and that [the applicant] did not own the mark when the application was filed.[65]

In another attempt, Champion International, a U.S. manufacturer of lumber and wood products, applied to register the trademark WAFERWELD[66]; however, its Canadian subsidiary already had a registration for the same mark for similar products.[67] The Board explained Champion's argument:

> It is the applicant's position that the *In re Air Products, Inc.* case, *supra*, and the line of cases following the *Air Products* case should be overruled for the reason that said cases are illogical and make no sense in today's modern world of marketing. Applicant asserts that a primary purpose of the 1946 Trademark Act is to indicate the source of the goods to the purchasing public; and that where related companies having different nationalities each desire to register a trademark, and in particular where the second one of those companies seeking to register is a United States corporation,

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65 *In re* Eucryl Ltd., 193 U.S.P.Q. 377, 378-79 (T.T.A.B. 1976) (asterisks in original); *but see* Browne-Vintners Co. v. Nat'l Distillers & Chem. Corp., 151 F. Supp. 595, 602, 48 TMR 28, 37 (S.D.N.Y. 1957) (stating that either the parent or subsidiary may register the marks and either may use them without affecting their validity or the validity of the registrations). Today, rather than "corporation," the verification requirement states that "the person making the verification believes that he or she, or the juristic person in whose behalf he or she makes the verification, to be the owner of the mark sought to be registered." Lanham Act § 1, 15 U.S.C. § 1051 (2012). The online form for a trademark application has the signatory declare "The signatory believes that the applicant is the owner of the trademark/service mark sought to be registered." U.S. Patent and Trademark Office, Trademark/Service Mark Application, Principal Register, TEAS Plus Application (Version 5.8), https://www.uspto.gov/sites/default/files/documents/TEAS_Plus.pdf (last visited August 19, 2018).

66 Ser. No. 73/211,419, available at http://tsdr.uspto.gov/#caseNumber=73211419&caseType=SERIAL_NO&searchType=statusSearch.

67 Reg. No. 1,047,699, available at http://tsdr.uspto.gov/#caseNumber=73071851&caseType=SERIAL_NO&searchType=statusSearch.

> the Office should permit the second registration because it gives the public a better indication of origin of the goods. Applicant argues that if one related company sanctions use by another related company as contemplated by Section 5 of the Statute, it would avoid confusion, mistake and deception for both related companies to have a registration. Applicant asserts that if use by both entities continues without one having a registration, the public would be confused since it would not know whether such use by the entity without the registration is lawful and what the true origin of the goods is, while if both related companies had registrations, such confusion would be avoided.[68]

But the Board cursorily rejected the argument:

> While applicant's remarks have been carefully considered, the Board remains of the view that the *In re Air Products, Inc.* case, *supra*, and the line of cases following are sound and should remain undisturbed.[69]

One work-around to the problem of registration of similar marks by related companies was the use of a letter of consent. In *In re Sumitomo Electric Industries Ltd.*,[70] the applicant sought registration of a logo that was identical to a family member's registered mark, both for similar goods.[71] The TTAB held that, where the *duPont*[72] likelihood-of-confusion factors were a toss-up, the tie could be broken by the consent of the earlier registrant, because the corporate family members were likely to act in the enterprise's best interest:

> It is therefore apparent that the controlling element herein is the letter of consent to register submitted by applicant . . . . In the instant case, the relationship between the parties, both members of the "Sumitomo Group" makes the letter of consent a viable one and one on which we can conclude that confusion is not reasonably likely to occur. That is, the parties undoubtedly work hand-in-hand to avoid confusion in trade which would be inimical to their best interests, and they are in a position to expeditiously correct any situation

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[68] *In re* Champion Int'l Corp., 220 U.S.P.Q. 478, 478-79 (T.T.A.B. 1982).

[69] *Id.* at 479.

[70] 184 U.S.P.Q. 365 (T.T.A.B. 1974).

[71] The application ultimately registered as Reg. No. 1,011,829, available at http://tsdr.uspto.gov/#caseNumber=72413588&caseType=SERIAL_NO&searchType=statusSearch and the existing registration was Reg. No. 858,509, available at http://tsdr.uspto.gov/#caseNumber=72261903&caseType=SERIAL_NO&searchType=statusSearch.

[72] Application of E. I. DuPont DeNemours & Co., 476 F.2d 1357 (C.C.P.A. 1973).

> that could possibly give rise to confusion in the marketing of their respective goods.[73]

However, several years later, a consent did not work for bank holding company Citicorp.[74] Citibank, N.A. was a subsidiary of Citicorp and applied to register CITICARD, CITICARD & Design, and THE CITI OF TOMORROW.[75] Parent Citicorp already owned a number of registrations for CITI-formative marks, such as CITICORP, CITIPRIME, CITILIGHTS, and the stem CITI.[76] By law, Citicorp could not offer the banking services described in the applications for the CITI-formative marks filed by Citibank.[77] However, the two companies marketed themselves as a single entity. Citibank's tack with the Patent and Trademark Office was to claim that Citicorp and Citibank were the same source, so there could be no confusion.[78] Nevertheless, distinguishing *Sumitomo,* the Board held that this kind of line blurring was unacceptable:

> Applicant's position is self-contradictory. On the one hand the law requires that applicant and registrant must be separate legal entities, and applicant argues that its agreement with registrant and the manner in which applicant and registrant operate ensure that there is no likelihood of confusion as to the source of the various services offered under these similar marks. On the other hand applicant argues (at p. 18 of its brief) that "there is functionally only one source—the Citibank/Citicorp institution." Applicant and registrant have not acted to effectively eliminate the likelihood of confusion. What they have acted to eliminate is the perception of a legally required distinction between themselves. . . . [H]ere the applicant and registrant, by their agreement concerning the "CITI" marks, are actively seeking to create the impression that they are in

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73 *In re* Sumitomo Elec. Indus., 184 U.S.P.Q. 365, 367 (T.T.A.B. 1974); *cf. In re* Diamond Walnut Growers, Inc. and Sunsweet Growers Inc., 204 U.S.P.Q. 507, 511 (T.T.A.B. 1979) (reversing likelihood of confusion refusal of an application for DIAMOND/SUNSWEET owned jointly by Diamond Walnut Growers and Sunsweet Growers as likely to be confused with their respective registrations for DIAMOND and SUNSWEET because the joint applicants had a strong interest in protecting the validity and integrity of their marks and registrations); *see also* F. Vern Lahart, *Control—The Sine Qua Non of a Valid Trademark License*, 50 TMR 103, 106 (1960) ("it is assumed that [the trademark owner] will not knowingly so vary his goods as to ruin his good will. It is virtually self-regulation. Hence the public interest may be considered to be sufficiently safeguarded by the owner's self-interest.").

74 *In re* Citibank, N.A., 225 U.S.P.Q. 612 (T.T.A.B. 1985).

75 *Id.* at 612.

76 *Id.*

77 *Id.* at 614.

78 *Id.*

fact a single source of services, instead of acting to remove or reduce the likelihood of confusion.[79]

This outcome, particularly in contrast to *Sumitomo*, seems unreasonably harsh. The TTAB took the view that, if regulatory authorities forced a legal distinction between the two companies, then consumers must be able to tell them apart too. Consumers even likely could have; in *Citibank* the marks of the two family member companies were distinguishable variations of each other. If Congress's intention had been to allow the corporate enterprise to manage ownership of their trademark assets as they saw fit, the TTAB was not helping.

Thus, the TTAB's view that the owner of a mark was a single juristic person, and that two legal entities within the same enterprise could have confusingly similar marks, essentially meant that the only sure way to register corporate family marks was for a single company within a corporate structure to own any mark that was confusingly similar to any other mark used by the same enterprise.[80] With this, the TTAB put the enterprise on the horns of a dilemma: an operating company that actually controlled the goods would have to forego registration if another family member has already registered a similar mark, or it could obtain a registration by claiming the other family member controlled the use when it did not. This outcome is also contrary to the legislative history, where the drafters recognized that control of a mark can be in the larger enterprise, not in just one family member.[81]

However, when it came to a third-party licensing relationship, it was smooth sailing. The licensor-licensee relationship could be oral,[82] and control could be flexible.[83] Non-exclusive licenses were

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79 *Id.*

80 "The record in the cases before us is silent as to why all of the 'CITI' marks used by Citibank and Citicorp were not registered by Citicorp in the first place. The banking rules may preclude a bank holding company from rendering banking services, but they do not appear to bar the bank holding company from claiming ownership of service marks under Section 5 of the Trademark Act based upon use by a wholly owned subsidiary of the holding company." *Id.* at 616. This would be a good reason for a corporate enterprise to set up a trademark holding company.

81 *See supra* text accompanying note 31 (stating that a stock holding company is "actually the producer of the goods, except, if we are being highly technical," continuing "I cannot reason so artificially as to satisfy myself that that is not a use by the Steel Corporation.")

82 Basic Inc. v. Rex, 167 U.S.P.Q. 696 (T.T.A.B. 1970) ("With regard to the fact that opposer is not the user of 'BASIC', the statute provides that a non-user may obtain a registration if the use by a related company inures to the benefit of the non-user, Section 5 of the Act of 1946. On the basis of the record, we are not persuaded that applicant is not a proper applicant. An oral license is sufficient to show a related company condition and there are elements of control between applicant and the licensee."); *see also* Letica Corp. v. Sweetheart Cup Co., 805 F. Supp. 482, 487 (E.D. Mich. 1992) (finding that an oral license is enough to survive summary judgment on control).

83 Arthur L. Nathanson, *Current Problems in Trademark Law: Licensing Your Trademark*, 46 TMR 133, 140-142 (1956) (describing various ways control could be exercised).

no longer an issue, even where the consumer might have thought the brand was owned by a local business.[84] The trademark owner did not have to be in the same business as its licensees.[85] The goods could even be co-branded with the licensee's house mark in combination with the licensor's product mark.[86]

B. In re Wella

In re Wella A.G.[87] should have changed the Board's course in cases involving the corporate enterprise. In *In re Wella*, the U.S. subsidiary of a German parent, Wella U.S., owned U.S. trademark registrations for a family of marks based on the root " 'WELLA'—WELLATONE, WELLA STREAK, WELLASOL, and WELLA plus a design."[88] The German parent subsequently filed an application for registration of the mark "WELLASTRATE" for similar goods.[89] It said that it was the owner of the WELLASTRATE mark because it was the entity actually using the mark, not its U.S. subsidiary.[90] The examining attorney refused the application as likely to be confused with the subsidiary's registrations,[91] and the TTAB affirmed.[92] The German parent argued before the Board, as had others before it, that it and the U.S. subsidiary were related companies, so their respective marks should not be refused under section 2(d). The Board predictably responded:

> [S]ection 5 provides the basis upon which one can claim the benefit of another's use and therefore obtain a registration based on the use by the other related entity. In this regard, we are of the view that nothing precluded Wella A.G. from applying for registration of the cited "Wella" trademarks based on use by its related company, [Wella U.S.]. Similarly, there is nothing to preclude Wella A.G. from obtaining ownership of the cited registrations by assignment from the subsidiary company. However, nothing in the Act requires us to ignore the requirements of Section 2(d) and there is no

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84 Bellbrook Dairies, Inc. v. Bowman Dairy Co., 273 F.2d 620, 622, 47. C.C.P.A. 761, 764 (C.C.P.A. 1960) (reversing Assistant Commissioner of Patents' conclusion that the licensing "has probably led the purchasing public to think of 'SLIM' as a skim milk product put on the market by a dairy in their area, rather than as a trademark identifying the skim milk of * * * [appellant] and distinguishing it from the skim milk of others.")

85 General Mills, Inc. v. CDA Food Indus. Inc., 149 U.S.P.Q. 225, 227 (T.T.A.B. 1966).

86 Safe-T Pacific Co. v. Nabisco, Inc., 204 U.S.P.Q. 307, 315 (T.T.A.B 1979).

87 787 F.2d 1549 (Fed. Cir. 1986) (*Wella I*).

88 *Id.* at 1550.

89 *Id.*

90 *Id.*

91 *Id.*

92 *Id.* at 1551.

> evidence that, by permitting claims based on related company use, the framers of the Trademark Act intended to alter the well-established principles concerning likelihood of confusion.[93]

On appeal, in what in hindsight perhaps created more problems than it avoided, the Court of Appeals for the Federal Circuit declined to decide whether Wella A.G.'s argument that section 5 altogether precluded likelihood of confusion between registrations owned by corporate family members.[94] The panel instead decided simply that there could be no confusion on these facts, concluding that the Board had "taken an unduly, unnecessarily, and improperly narrow view of section 2(d)."[95] Correctly,

> [w]here the applicant is a related company, the statute requires a thorough inquiry into whether, considering all the circumstances, use of the mark by the applicant is likely to confuse the public about the source of the applicant's goods because of the resemblance of the applicant's mark to the mark of the other company . . . .
>
> The question is whether, despite the similarity of the marks and the goods on which they are used, the public is likely to be confused about the source of the hair straightening products carrying the trademark "WELLASTRATE." In other words, is the public likely to believe that the source of that product is Wella U.S. rather than the German company or the Wella organization.
>
> The Board never addressed that question. We think the statute required it to do so.[96]

Wella A.G. had taken the position that, while they may be technically separate companies, in the consumer's view there was a single Wella company.[97] The Federal Circuit adopted this as a critical fact to be considered when deciding likelihood of confusion: "If the Wella family of marks connotes to consumers only a single source for all Wella products, namely the Wella organization, it is difficult to see how Wella A.G.'s use of the mark 'WELLASTRATE' would cause confusion as to source because of Wella U.S.'s use of other Wella marks."[98] It instructed the Board to decide on remand

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93 *Id.*

94 *Id.* at 1553 ("In view of our disposition of this case, we find it unnecessary to indicate any views on the correctness of the Board's rejection of Wella A.G.'s argument, which it also pressed before us, that section 5 of the Trademark Act entitled it to registration of its WELLASTRATE mark.").

95 *Id.* at 1551.

96 *Id.*

97 *Id.* at 1552.

98 *Id.* at 1553.

whether, considering all the circumstances, there was a likelihood of confusion.[99] It also strongly hinted to the Board that Citicorp and Citibank's efforts to create the impression of a single source should have resulted in a different outcome in *In re Citibank*.[100]

Notice the Federal Circuit's use of the term "related company" at the beginning of the quoted text, "[w]here the applicant is a related company, the statute requires . . . ." There was no legal conclusion or even discussion about whether the German company's use of the WELLASTRATE mark inured to the U.S. company's benefit (or vice versa)—that is, that the companies met the statutory definition of related companies, or how that might be relevant to the likelihood of confusion analysis. Thus, the use of the words "related company" by the appeals court was not about the relationship described in section 5 but was used to simply mean corporate family members. The appeals court also appeared to assume that these "related companies" were acting in concert and to the enterprise's benefit, in much the same way that the Board allowed registration of the same mark by the two different Sumitomo family members based on the belief that the family members would act in the larger enterprise's best interest.[101]

Adding to the confusion, Judge Nies, in "additional views," opined that there could be only one owner of the WELLA marks. Wella A.G. had stated in a declaration that it controlled Wella U.S.'s use of the trademarks registered by the U.S. company. Judge Nies pointed out that, if accurate, Wella A.G. should have been the owner of all of the marks, not Wella U.S.[102]

On remand, the Board held there was no likelihood of confusion,[103] but now rejected the application on the basis that the parent and subsidiary could not both own WELLA trademarks.[104] On a second appeal, the Federal Circuit chastised the TTAB for

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[99] *Id.*

[100] *Id.* The appeals court commented that Citigroup and Citibank had a joint policy committee that made all major institutional policy decisions, there was a joint identification standards and policies manual that governed the use of marks by both entities, and there was an agreement between the two companies that governed the adoption and use of the various marks with the prefix CITI.

[101] See text accompanying note 71.

[102] *In re* Wella A.G., 787 F.2d at 1554 (Nies, J., additional views).

[103] *In re* Wella A.G., 5 U.S.P.Q.2d 1359, 1361 (T.T.A.B. 1987) (*Wella II*).

[104] *Id.* at 1362.

considering the ownership issue[105] and reversed and remanded the case with orders to the TTAB to issue the registration.[106]

The Federal Circuit thus created a new paradigm, a category of relationship where the participants are legally distinct corporate family members but the consumer perception is that they are one entity, regardless of the actual corporate form. On remand, and furthering the confusing use of the term "related company," the Board defined this category as where the companies have a legal relationship and a "unity of control" or appear to be the "same source":

> The existence of a related company relationship between Wella U.S. and Wella A.G. is not, in itself, a basis for finding that any "WELLA" product emanating from either of the two companies emanates from the same source. Besides the existence of a legal relationship, there must also be a unity of control over the use of the trademarks. 'Control' and 'source' are inextricably linked. If, notwithstanding the legal relationship between entities, each entity exclusively controls the nature and quality of the goods to which it applies one or more of the various 'WELLA' trademarks, the two entities are in fact separate sources."[107]

The Federal Circuit had not mentioned anything about control, only asking whether consumers perceive a single source regardless of the actual corporate structure. However, perhaps confused by the misuse of the words "related company" by the court, the Board imposed a legal standard that requires a "unity of control." Its justification was terse: "'Control' and 'source' are inextricably linked."[108] The Board therefore simply ratified its earlier position

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105 "Indeed, the unusual nature of our limiting instruction to the Board—we did not merely reverse the Board's denial of registration but explicitly told the Board what it could consider on remand—should have led the Board to realize that the majority of the court did not view the additional issue Judge Nies had raised as something for the Board to address on remand. . . . An "inferior court has no power or authority to deviate from the mandate issued by an appellate court." *In re* Wella A.G., 858 F.2d at 728.

106 *Id.* at 729.

107 *In re* Wella A.G., 5 U.S.P.Q.2d at 1361.

108 *Id.* For examination of family member applications, the Trademark Manual of Examining Procedure (TMEP) cites to true related company cases, with their statutory requirement for control described in § 5, as justification for the "unity of control" standard: *In re* Pharmacia Inc., 2 U.S.P.Q.2d 1883, 1884 (T.T.A.B. 1987) (refusing an application filed by the U.S. sibling importing company on the basis that the foreign manufacturing sibling was the presumed owner whose consent was required); Greyhound Corp. v. Armour Life Ins. Co., 214 U.S.P.Q. 473, 475 (T.T.A.B. 1982) (holding that an application filed by a sibling was void ab initio where the use by a sibling company it did not control); Pneutek, Inc. v. Scherr, 211 U.S.P.Q. 824, 833 (T.T.A.B. 1981) (holding that rights to a mark may be acquired and maintained through the use of that mark by a controlled licensee even when the only use of the mark has been made by the licensee); *see also In re* Fed. Express Corp., 2009 TTAB LEXIS 690, at *16 (T.T.A.B.

that the quality of the goods and services for all similar marks used within a corporate enterprise must be controlled by the same family member.[109]

The TTAB's control requirement was a misunderstanding of the appeals court's instructions. The Federal Circuit in *Wella I* described the critical question as whether consumers distinguish between corporate family members and, if they do not, then there is a single source and there can be no likelihood of confusion. The Court did not ask whether there was a "unity of control," but whether there was a unity of identity. What the appeals court considered relevant was whether the family members were all consistent in their use of similar marks such that the consumer does not realize that there may be different legal entities behind the various uses.[110]

Beyond exceeding the Federal Circuit's instruction, the Board's requirement that control must exist in only one entity within a corporate enterprise is ill-conceived. Consider a hypothetical corporate enterprise that manufactures exercise equipment, franchises gyms, certifies teachers on the use of the equipment in the gyms, and sells sports drink bottles and towels with its mark. There is no reason to think that the knowledge and skill needed to manufacture exercise equipment, operate gyms, and train instructors, in order to "control the use of the mark," will exist in the same corporate family member. A corporate enterprise may have good reason to structure its business so that these functions are in different corporate family members. The use of the mark as a merchandising mark is even further removed from the fiction that the owner must control the nature and quality of the goods, where the trademark owner may have only perfunctory involvement in the production or quality, most likely in the selection of the licensee.[111] Imposing a requirement that all of the registrations for these

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Dec. 7, 2009) (discussing whether one sibling controlled the "trademark activities" of another sibling).

109 The Board made the modest accommodation of the Federal Circuit instruction by concluding that, if either the applicant or the registrant owns substantially all of the other entity and asserts control over the activities of the other entity, including its trademarks, and there is no contradictory evidence, the examining attorney should conclude that unity of control is present, that the entities constitute a single source, and that there is no likelihood of confusion under § 2(d). TMEP § 1201.07(b)(ii) (Oct. 2017).

110 *See supra* note 99.

111 *See* Restatement (Third) of Unfair Competition § 33, cmt. c (1995) ("The expectations of consumers depend in part on the character of the licensee's use. If a licensee uses the trademark of a beer or soft drink manufacturer on clothing or glassware, for example, prospective purchasers may be unlikely to assume that the owner of the trademark has more than perfunctory involvement in the production or quality of the licensee's goods even if the manner of use clearly indicates sponsorship by the trademark owner"); *cf.* Experience Hendrix, LLC. v. Elec. Hendrix, LLC., No. C07-0338 TSZ, 2008 WL 3243896 at *7 (W.D. Wash. Aug. 7, 2008) ("The type of quality control required to prevent abandonment varies with the circumstances").

disparate goods and services be owned by the same family member is unwarranted.

Requiring "unity of control" becomes even more *ultra vires* on the Board's part where, as in *In re Wella*, the compared marks are not even the same. There is no explanation why the entity that controlled the quality of WELLATONE, a hair-coloring product, had to be the same entity that controlled the quality of WELLASTRATE, a hair-straightening product.[112] In sum, there is simply no justification for a requirement that one family member be in control of the quality of an entire enterprise's goods and services.

"Unity of control" does, however, relate to an unexamined fact in *Wella I*—namely, whether the parties were all members of the same corporate enterprise. The court in *Wella I* characterized the parties as "related companies," an incorrect use of the term but a recognition that Wella A.G. and Wella U.S. were part of the same corporate enterprise. It is, though, a valid question—how do we know that the parties are indeed a part of the same corporate enterprise? It is appropriate to examine their relationship and ensure they are all controlled *entities*. Therefore, "unity of control" is better understood as an investigation of the parties' relationship, ensuring that they are likely to act in concert.

Wella I, as properly understood, requires answering (1) is this a corporate enterprise, and (2) do the members convey a unity of identity? *Wella II* blurred those two questions, to unabated confusion ever since.

*C. Post–*In re Wella

The role of the concept of "same source" since *In re Wella*—whether and when it might apply, and its limits—has been unpredictable. This article proposes that the teaching of *Wella I*, that a corporate enterprise with various family members can under appropriate circumstances be considered the "same source," should be applied in all circumstances.

1. Confusion Between Family Members

In some cases, *In re Wella* changed nothing at all. In a non-precedential opinion, Federal Express Corporation had applications for FEDEX CUSTOM CRITICAL refused because they were likely to be confused with registrations for FEDEX KINKO'S owned by a sister corporation.[113] FedEx's argument that there was a "unity of

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112 Perhaps readers will agree with me, too, that they would not impute a less favorable experience with a hair care product of one type on products by the same source with a different purpose. Hair is fickle.

113 *In re* Fed. Express Corp., 2009 TTAB LEXIS 690, at *16 (T.T.A.B. Dec. 7, 2009) (non-precedential).

control" was rebuffed. The TTAB held, as had been its position before *In re Wella*,[114] that Federal Express Corp. could not rely on the family relationship but instead had to provide evidence or an explanation how it and its sister corporation each controlled the trademark activities of the other sufficient to establish unity of control, which it had not done.[115]

Consider this instead under *Wella I* as properly understood. The examination should have been, first, whether the two companies were part of a corporate enterprise—yes, they were sister corporations wholly owned by the same parent. Second, was there a unity of identity? The opinion does not provide evidence on that point, but presumably the reason that both companies used the identical FEDEX mark was so that both businesses would benefit from the goodwill in the famous mark. Given that intent, their self-interest would lie in consistent use of the mark and they were presumably doing so.

Nothing was gained by denying registration: both entities continued to use their respective marks, so no confusion was prevented and no consumers saved. The only consequence was that the FedEx enterprise was denied the statutory benefits of registration for one of its family of marks.

In contrast, *In re The Salvation Army*[116] is the first decision in thirty years since *In re Wella* to reverse a section 2(d) refusal to register between entities within a family relationship, albeit non-precedential. In it, the Board held that four organizations in the same enterprise owning trademark registrations were perceived as a single source. The trademark at issue was the famous SALVATION ARMY trademark, in an ex parte appeal of a likelihood of confusion refusal of this mark:

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[114] *In re* Pharmacia Inc., 2 U.S.P.Q.2d 1883, 1884 (T.T.A.B. 1987); Greyhound Corp. v. Armour Life Ins. Co., 214 U.S.P.Q. 473, 475 (T.T.A.B. 1982).

[115] *In re* Fed. Express Corp., 2009 TTAB LEXIS 690, at *12 (T.T.A.B. Dec. 7, 2009).

[116] 2016 WL 3912936 (T.T.A.B. July 8, 2016) (non-precedential).

The final Office Action refusing registration cited thirteen registrations owned by three different registrants. These are some of the registrations:

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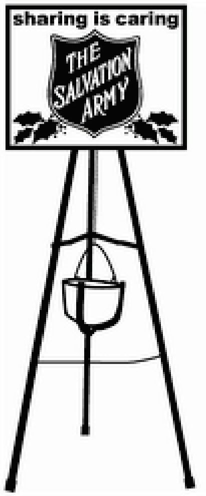

118

117 U.S. Reg. No. 4168081, available at http://tsdr.uspto.gov/#caseNumber=4168081&caseSearchType=US_APPLICATION&caseType=DEFAULT&searchType=statusSearch.

118 U.S. Reg. No. 3044551, available at http://tsdr.uspto.gov/#caseNumber=3044551&caseSearchType=US_APPLICATION&caseType=DEFAULT&searchType=statusSearch.

[119]

Nevertheless, this particular unit of the Salvation Army was allowed to register its version of the mark. The evidence of "unity of control" was that there were territorial commanders that operated under general policies of the International Headquarters in London, the local leadership was subject to the broad, overall national policies, there was a quasi-military structure under the control of a National Command, and the organization was affiliated with the Christian Church. The Board also found it significant that the various registrations by all the entities overlapped for many years. The Board concluded:

> [E]ach case should be evaluated on its own particular set of facts. This case presents a unique situation in which we find there would not be a likelihood of confusion as to source. As the Federal Circuit stated, the question is "whether under the circumstances there was in fact any likelihood of confusion" and "to explain what that confusion would be." In re Wella, 229 USPQ at 277. Based on this record and the unique organizational structure of the Salvation Army, it is not possible to explain what that confusion would be.[120]

This case is best understood as an examination of the threshold question in *Wella I*, which is whether the various entities are in fact members of the same corporate enterprise and not unrelated parties. The applicant succeeded because it produced evidence that the Salvation Army is a single enterprise with a hierarchical

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119 U.S. Reg. No. 2517143, available at http://tsdr.uspto.gov/#caseNumber=2517143+&caseSearchType=US_APPLICATION&caseType=DEFAULT&searchType=statusSearch (note the Salvation Army shield on the front of the toy chest).

120 *In re* The Salvation Army, 2016 WL 3912936, at *5 (T.T.A.B. July 8, 2016) (not precedential).

structure that the various chapters all observe, in other words, that it has the same controls as a more traditionally organized corporate enterprise. The second question that the Federal Circuit asked in *Wella I*, unity of identity, was assumed; the overlapping SALVATION ARMY portion of the marks all used the identical wording and identical shield.[121] Anyone familiar with the Salvation Army probably does indeed think of it as a single source. And the same is often true of many large corporate enterprises.

2. An Inconsistent View of "Owner"

The Board has also been inconsistent on the meaning of "owner." In *Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC*,[122] registrant Floorco was a subsidiary of Furnco International Corporation. The Board examined in excruciating detail the email addresses, slide presentations and proposals, learned that they all said "Furnco" rather than "Floorco," noted that there was no formal license agreement between the parent and subsidiary, and concluded that parent Furnco actually controlled the use of the mark, resulting in the legal conclusion that the registration by Floorco was abandoned even though the mark was in use. The Board's justification was that Floorco was a different "person" from Furnco:

> Furnco International Corporation chose to structure its business using a legally distinct subsidiary, which counts as a "person" under the Trademark Act. 15 U.S.C. § 1127, Trademark Act § 45 ("The term 'person' and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this Act includes . . . a . . . corporation . . . or other organization capable of suing and being sued in a court of law."). Such a business structure may offer some advantages, but it also comes with some strictures, and the existence of a separate and distinct legal entity (e.g., in this case a limited liability company) cannot be turned on or off at will to suit the occasion. This result is merely the flip side of the principle that a parent corporation is not liable for the wrongs of its subsidiary absent disregard of corporate separateness, such as an "alter ego" relationship. Furnco International Corporation formed, maintained and controlled Respondent as a separate legal entity, and Respondent, not Furnco International Corporation, filed the NOBLE HOUSE application, asserting that it had a bona fide intention to use the mark in commerce, as well as the

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121 *See supra* text accompanying notes 117.

122 118 U.S.P.Q.2d 1413 (T.T.A.B. 2016).

> subsequent statement of use asserting that it actually had used that mark in commerce.[123]

Rather than evaluate whether the Furnco/Floorco entity as a whole was a single source, the Board viewed it as a straightforward question about whether parent and subsidiaries were section 5–related companies,[124] avoiding evaluating the enterprise as a whole.

But in a different context, corporate distinctions apparently can be ignored. In *In re Wise F&I v. Allstate Insurance Co.*,[125] a parent and three subsidiaries all used "WISE" as part of their marks—ONWISE, TIREWISE, WISECARE, GAPWISE, THEFTWISE, ETCHWISE, and KEYWISE. The companies opposed the registration of applications for MILEWISE and ALLSTATE MILEWISE on the theory that the corporate family collectively owned a family of marks. The applicant filed a motion to dismiss, claiming that a family of marks could not have different owners. The Board agreed with the opposer,

> that in the context of the "family of marks" inquiry, the concept of common origin ("source") may encompass more than one entity. In view of the *Wella I* and *Wella II* decisions, it logically follows that related entities can rely on a family of marks as a basis for a Section 2(d) claim—notwithstanding the fact that the pleaded marks are not all owned by a single entity—if the complaint contains sufficient factual allegations that they are related, and that there is unity of control over the pleaded marks such that the marks are indicative of a single source, and all of the other elements for pleading a family of marks are satisfied.[126]

This decision, subsequent to *Noble House*, made no effort to reconcile why strict identity lines did not have to be observed in offensive use of trademark registrations as they were observed in deciding abandonment in *Noble House*.

IV. A PROPOSED REINTERPRETATION OF *IN RE WELLA*

We therefore now see that the concept that did not trouble the drafters of the Lanham Act—the complexity of modern business and a need to accommodate the corporate enterprise has become a far greater obstacle to registration than the concept that did trouble the

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123 Noble House Home Furnishings, LLC v. Floorco Enter., LLC, 118 U.S.P.Q.2d 1413, 1421-22 (T.T.A.B. 2016) (ellipses in original, internal citations omitted).

124 *Id.* at 1422.

125 Wise F&I, LLC v. Allstate Ins. Co., 120 U.S.P.Q.2d 1103 (T.T.A.B. 2016).

126 *Id.* at 1108. However, the Board dismissed the oppositions, with leave to amend, because the companies had not adequately alleged unity of control in their oppositions and also had not adequately alleged a family of marks. *See also* Nationwide Mutual Ins. Co. v. Nationwide Realty, LLC. 120 U.S.P.Q.2d 1618 (T.T.A.B. 2016) (non-precedential) (relying on use by non-party affiliates when considering likelihood of confusion).

drafters, the licensing business model. Under current jurisprudence, the corporate family may have great difficulty registering its trademark when different parts of the business are responsible for the enterprise's products and services, even where the consumer perception is that it is only one source. If, instead, the corporate enterprise tries to avoid the problem by creating a single owner, for example an IP holding company subsidiary, then the amount of control the holding company exercises will be scrutinized. The latitude found in earlier cases and the legislative history, that the corporate enterprise will be motivated to self-police quality by virtue of the fact that all family member uses are perceived as the same source, holds no sway.

Meanwhile, registering a trademark used by a licensee is not problematic. The applicant does not even have to disclose that the use is by a licensee.[127] Where the application does indicate that a mark is used by a licensee or franchisee, the USPTO usually will not require an explanation of how the applicant controls the use.[128] If the application indicates that use of the mark is pursuant to a license or franchise agreement, and the record contains nothing that contradicts the assertion of ownership by the applicant (the licensor or franchisor), the examining attorney will not inquire about the relationship between the applicant and the related company (the licensee or franchisee).[129] With respect to a challenge, proving loss of control resulting in abandonment, a "naked license," is a "heavy burden."[130]

It is easy to say, as the Board effectively said in *Noble House*, "as you sow, so shall you reap."[131] However, it ignores very valid reasons for choosing to have different family members own registrations for the same mark or one member of a family of marks. The choice may be made to insulate one business from the liability of a sister entity, the regulatory environment, regional distinctions, to take advantage of the opportunity for transfer pricing, or because the family members are operated quite independently. In fact, a standard that dictates that only one family member can lawfully own similar marks may force ownership into an entity that doesn't actually control the quality of the goods and services, but instead

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127 TMEP § 1201.03(a) (Oct. 2017).

128 TMEP § 1201.03(e) (Oct. 2017).

129 *Id.*

130 Carl Zeiss Stiftung v. V. E. B. Carl Zeiss, Jena, 293 F. Supp. 892, 917 (S.D.N.Y. 1968), *aff'd as modified sub nom.* Carl Zeiss Stiftung v. VEB Carl Zeiss Jena, 433 F.2d 686 (2d Cir. 1970).

131 Noble House Home Furnishings, LLC v. Floorco Enters., LLC, 118 U.S.P.Q.2d 1413, 1422 (T.T.A.B. 2016) ("Such a business structure may offer some advantages, but it also comes with some strictures, and the existence of a separate and distinct legal entity (e.g., in this case a limited liability company) cannot be turned on or off at will to suit the occasion.")

has a license simply for optics.[132] The WISE case is a good example of why the corporate family should have latitude in who registers. Each family member was in a separate business line, so they logically owned their own trademarks. Nevertheless, to consumers they are perceived as a single company, as evidenced by the Board's tolerance of a family of marks claim, and all potentially harmed by an interloper in their family.

The TTAB has, in this author's view, unnecessarily created two different context-specific standards for ownership. In some cases, there can be different juristic owners as long as there is only one apparent owner.[133] However, in others a single juristic person must own all marks and control of the nature and quality of the goods enterprise-wide.[134]

Although the Board's "unduly, unnecessarily, and improperly narrow view" criticized in the Federal Circuit's decision in *In re Wella I* was impeccable in its logic, the Federal Circuit interjected the reality of how modern corporations function when it took a more pragmatic view on likelihood of confusion. This author suggests that the Federal Circuit's decisions in *In re Wella*—both the first opinion identifying the concept of single source and the second opinion rejecting the Board's attempt at differentiating corporate family members based on ownership— should be understood as requiring a consistent approach to ownership in all contexts, that is, the owner of the mark is not necessarily a single family member but it may be the corporate enterprise as a whole, to the extent the enterprise conveys to its market that it is a single source.

In *Noble House¸* the Board answered the wrong question. The Board viewed the case as a section 5–related company case, evaluating whether there was use by one entity that inured to the benefit of another. The Board relied on "personhood" in reaching its conclusion, holding that because the subsidiary was a separate "person" from the parent, the parent could not claim to own the trademark.[135] However, section 1 of the Lanham Act, which states who may register a trademark, does not use the word "person" but uses the undefined word "owner."[136] The author suggests this

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132 *See id.* at 1421 (stating that the parent can presumptively own the mark a subsidiary uses, but "[i]f there is any doubt on that score in a particular situation, it can be made clear by a proper trademark license agreement.").

133 *In re* The Salvation Army, 2016 WL 3912936, at *5 (T.T.A.B. July 8, 2016) (refusal based on section 2(d)); Wise F&I, LLC v. Allstate Ins. Co., 120 U.S.P.Q.2d 1103, 1108 (T.T.A.B. 2016) (opposition based on section 2(d)).

134 Noble House Home Furnishings, LLC v. Floorco Enter., LLC, 118 U.S.P.Q.2d 1413 (T.T.A.B. 2016) (abandonment through non-use when use was by a different family member).

135 118 U.S.P.Q.2d at 1421-22.

136 Lanham Act § 1, 15 U.S.C. § 1051 (2012) ("The owner of a trademark used in commerce may request registration of its trademark on the principal register").

"owner" can, as understood by the drafters and as applied in *Wella I*, *In re The Salvation Army*, and *Wise F&I, LLC v. Allstate Insurance Co.*, be the enterprise, not just one family member. There was no doubt in *Noble House* that the mark was in use by the corporate enterprise. Nevertheless, the challenger, the junior user, got a windfall because the corporate enterprise didn't tick the intracompany license agreement box in its operations. This served no one's interest.[137]

Instead, the teachings of *Wella I* should be considered in this fact pattern too. Applying the principle that a "single source" can consist of a collection of different legal persons, and the commonsense understanding that there may be many different subsidiaries who actually control the quality of what may be a wide variety of goods and services offered by the enterprise, the proper registrant may be any corporate family member. Of course, only a legal person has the capacity to own property, so someone within the corporate enterprise must be the record owner. But when it comes to evaluating challenges to ownership, such as control, use, abandonment, or confusion, the analysis should be whether (1) the enterprise markets itself as a single source; and, (2) assuming it does, whether the enterprise as a whole can state the claim or defeat the challenge, not whether each individual family members can. This is the import of *In re Wella*.

V. CONCLUSION

The drafters of the Lanham Act understood the importance of supporting modern business with trademark laws that would help them protect the significant value of their trademark properties without imposing artificial hurdles that had no benefit to anyone. However, the Federal Circuit misused the term "related companies" and we've been confused ever since. As a result, the Board has failed to carry out the intent of the Lanham Act by failing to fully appreciate and consistently apply across the board the concept that the trademark owner as a "single source" may be the enterprise as a whole, not just a single family member. Where the family members are under common ownership, as was the case with *In re Wella*, or where entities voluntarily behave as a unified enterprise, as in *In re The Salvation Army*, and where those entities present themselves to consumers as the a single source, the trademarks cannot be confused, they can be asserted as a group even though the

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137 "The denial of a registration has little or no effect on [confusion in the marketplace]. Its denial affords, therefore, little or no protection to the purchasing public. On the other hand, the granting of a registration may protect the public from confusion. A good guardian of the public interest must look at both sides of the coin." *In re* Nat'l Distillers & Chem. Corp., 49 C.C.P.A. 854, 862-64, 297 F.2d 941, 949 (C.C.P.A. 1962) (J. Rich, concurring).

formal ownership is with different subsidiaries, and they are in use by the owner regardless of the specific role of the named owner.

APPENDIX: BILL HISTORY

75 H.R. 9041 – 1938

> Section 6: Where the trade-mark sought to be registered is used by subsidiary or related companies, the application shall so state, and such use shall be deemed exclusive; and use of registered trade-marks by companies subsidiary or related to the registrant shall not affect the validity of such trade-mark or of its registration.

This proposal did not have a definition for "related companies."

76 H.R. 4744 – 1939

Section 5:

> Where the trade-mark sought to be registered is or may be used by subsidiary or related companies, or by the members of an association, such use shall be deemed exclusive in the holding or parent company or in the association; and use of registered trade-marks by companies subsidiary or related to the registrant or by members of an association, shall not affect the validity of such trade-mark or its registration.

Section 44:

> The term "related company" means any individual, partnership, or person within the definition above where by stock ownership, contractual relationship, or otherwise, the nature and quality of the goods upon with the mark is used is controlled by the registrant.

76 H.R. 6618 – 1939

Section 5:

> Where the mark sought to be registered is or may be used by subsidiary or related companies, or by the members of an association, such use shall be deemed exclusive in the holding, parent, or related company or in the association; and use of registered marks by companies subsidiary or related to the registrant or by the members of an association, shall not affect the validity of such mark or of its registration.

Section 45:

> The term "related company" means any individual, partnership, or person within the definition above where by stock ownership, contractual relationship, or otherwise, the nature and quality of the goods upon which the mark is used is controlled by the registrant.

77 S. 895 – 1940

Section 5:

Where a registered mark or a mark sought to be registered is or may be used 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.

Section 45:

The term "related company" means any person who is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

77 H.R. 102 – 1941

Section 5:

Where the registered mark or the mark sought to be registered is or may be used by subsidiary or related companies, or by the members of an association, such use shall be deemed exclusive in the holding, parent, or related company or in the association; and use of registered marks by companies subsidiary or related to the registrant or by the members of an association, shall not affect the validity of such mark or of its registration. Such mark shall not be used in such manner as to deceive the public.

Section 45:

The term "related company" means any individual, partnership, or person within the definition above where by ownership, or contractual relationship, control of the nature and quality of the goods upon which the mark is used Is exercised by the registrant.

77 H.R. 5461 – 1941

Section 5:

Where a registered mark or a mark sought to be registered Is or may be used 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 a manner as to deceive the public.

Section 45:

The term "related company" means any person who is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark Is used.

78 H.R. 82 – 1943

Section 5:

Where a registered mark or mark sought to be registered is or may be used 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 to deceive the public.

Section 45:

The term "related company" means any person who controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

79 H.R. 1654 – 1946 (as passed)

Section 5:

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.

Section 45:

The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

Current version

Section 5:

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. If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.[138]

Section 45:

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.[139]

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138 Lanham Act § 5, 15 U.S.C. § 1055 (2012).

139 Lanham Act § 45, 15 U.S.C. § 1127 (2012).