

From the June-July 2002 issue of *The Licensing Letter*

## **Licensing to Preserve Trademark Ownership**

As all IP counsel know, registration of a trademark depends on that trademark's use. A trademark cannot be reserved indefinitely just because someone thought it up. It has to be used in the course of business, either within three years after its first registration or within three years after having been abandoned by its registrant.

What does this have to do with licensing?

As a preliminary matter, it matters because use by a licensee is the same as use by a trademark owner and can serve the owner's interests in the same way.

Many participants in the licensing industry understand, but not enough make strategic use of licensing as potential use, and licensees as potential users, of registered trademarks.

If someone comes up with a great idea or a great name for a product and wants to keep others from using it, she can register that idea or name as a trademark, if she can use it – or show progress toward using it – soon. If she wants to protect her rights in that idea or name for more than six months she must establish with the U.S. Patent and Trademark Office that she is making constant efforts toward using it. What if she does not have a business sufficient to support those efforts? Or what if the owner of the idea is a corporation unready to make the investment necessary to turn it into a business but also unwilling to give it up?

Licensing can offer the answer to both trademark owners. For purposes of U.S. trademark law, efforts to find a licensee willing to use a trademark are no different than

efforts to use it oneself. An unused or abandoned trademark can be held for longer - for up to three years - if a registrant or its licensing agent works to license it than if the owner leaves it alone.

In this sense, licensing offers trademark registrants benefits in three different ways, and at three different times.

#### *Licensing to "Hold" a Trademark*

First, licensing can be used by a registrant who wants to "hold" a trademark but is unready to make the investment necessary to exploit or use it herself. That effort - either through licensing or her own efforts - is necessary under trademark law to establish her "intent to use." By doing so, the owner can potentially keep a registration alive for up to three years. If she cannot find a licensee to make use of the trademark by that time - and if she cannot find the funds or interest necessary to develop it herself - then the trademark laws have done their part, and the trademark will belong to someone else. But licensing, meanwhile, has kept the trademark alive in a way that nothing else might have done.

#### *Licensing to Broaden a Trademark*

Second, licensing - or trying to license - a registered mark can be used to own a mark in categories in which the registrant is not yet prepared to manufacture product. Any trademark inventor is faced with a challenge: establishing the value of that mark in one category can create an opportunity for copycats in a dozen other categories. It is impossible to register and defend the same mark in other categories unless the inventor is

using it in those categories, or at least trying to use it in those categories. Licensing can constitute such use, and the work of an independent licensing agent can support the inventor's claim on a mark in new categories until she is prepared to use that mark in those categories herself.

### *Licensing to Keep a Trademark Alive*

Third, and perhaps most profitably, licensing can be used to maintain a trademark whose registrant has stopped using it but is not prepared to give it up. If the creator of a trademark stopped using it, another party can immediately take it over – unless the original registrant can show that she has not abandoned it. The original registrant has three years to make its case that the registration has not been abandoned. Licensing can help make that case. Let's say that a business wants to discontinue its use of a trademark but is not yet prepared to give that trademark up. Efforts to license that trademark can defend the business against others who might otherwise encroach on the trademark and use it themselves. And if the business or its licensing agent actually finds a third party willing to license the trademark, it can condition an license agreement on terms that would allow it to retake the trademark whenever it wanted.

Trademark law imposes a heavy burden on registrants to prove that they intend to use, and are making ongoing efforts to use, the trademarks they register and want to keep. Trademark owners, trademark counsel and licensing practitioners should keep in mind the strategic role that licensing can play in making that case.