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TRADE MARKS—EFFECT OF LICENSING USE OF TRADE MARK BY SALES AGENT ON RIGHTS OF OWNER OF THE MARK—For twenty-five years plaintiff company was licensed by *X* manufacturing company to sell furnaces made by *X* in Kentucky and to use the trade-mark "Monarch" thereon along with plaintiff's name, leaving *X*'s name off the furnace. After the termination of this license plaintiff continued to sell other furnaces with the mark "Monarch" affixed thereto.¹ Four years later *X* licensed defendant company to sell *X*'s furnaces in Kentucky and to use the mark "Monarch" on the same. Plaintiff brought suit to enjoin defendant's use of said mark on furnaces sold in Kentucky. *Held*, licensing use of mark by *X* to plaintiff was proper and *X* had not lost ownership of the mark by abandonment; therefore injunction denied. *Stratton & Terstegge Co. v. Stiglitz Furnace Co.*, 258 Ky. 678, 81 S. W. (2d) 1 (1935).

As recently as 1924 it was held that the owner of a trade name, the source of the attractive power of which was personal, lost the right to its exclusive use by licensing its use to others.² However, some recent cases have repudiated this holding and sanctioned the licensing of trade-marks without loss to the licensor thereby of his exclusive right to the mark.³ This view would seem to be sound if

¹ In the statement of facts of the case, the following fact appears to have been found by the trial court: that in 1927 the mark "Monarch" was understood by the public in the plaintiff's territory to represent a product of the plaintiff; however, among the trade generally and the public outside of the plaintiff's territory, the mark was understood to represent a product of Kruse and Dewenter.

² *Everett O. Fisk & Co. v. Fisk Teachers' Agency*, (C. C. A. 8th, 1924) 3 F. (2d) 7, noted in 20 ILL. L. REV. 90-93 (1925). Plaintiff sued to enjoin use of trade name, Fisk Teachers' Agency, by defendant, whom it had formerly licensed for a consideration of 20 per cent of the gross receipts to use such trade name in a certain locality, the defendant later branching out and opening its own agency under the same name. Plaintiff was denied relief, the court pointing out that "The plaintiff's attempted license of the right to use its trade-name was ineffective, because a trade-name cannot be assigned, except as an incident to the sale of the business and good will in connection with which it has been used. *Kidd v. Johnson*, 100 U. S. 617, 620. . . ." 3 F. (2d) 7 at 8. Concerning the rule laid down there, it is said in 28 COL. L. REV. 353 at page 354 (1928): "The existence of this rule has two foundations: first, as a necessary consequence of the prevailing legal theories of trademarks and tradenames; second, as a result of the courts' desire to protect the public from being deceived. Likelihood that the public will be deceived does not exist in all cases covered by the rule."

³ For a brief review of the authorities supporting this statement, with comment on the same, see 30 COL. L. REV. 695 (1930). See also the opinion in *Hicks v. Anchor Packing Co.*, (C. C. A. 3rd, 1926) 16 F. (2d) 723 at 726, where the court points out: "A grant of an exclusive use of a trade-mark, limited as to duration and place, whether

its application be properly limited, since present-day marketing methods call for some latitude in this regard if the full benefit of national advertising is to be realized.⁴ However, the facts of the instant case do not, on careful analysis, warrant the result reached therein. The cardinal purpose and spirit of the trade-mark laws is to avoid misleading the public as to the origin of the trademarked product; therefore, licensing is proper only in so far as it does not result in such deception. Do the prerequisites of an abandonment of a trade-mark as laid down in the cases keep this purpose and spirit in mind? To effect an abandonment of a trade-mark, it is usually said that there must be actual disuse plus an intent to abandon.⁵ The intent requirement grows out of the traditional view of courts in regard to the relinquishment of ownership in property. But a trade-mark is a peculiar kind of property; its ownership is not the ownership of the mark *itself*, but an ownership of the mark as used in connection with a particular product or similar products in a certain territory, which commands a certain habit of patronage from the public.⁶ In short, ownership of a trade-mark is but a phase of the law of unfair competition or "passing off." So, an identical trade-mark may be owned by various persons, and represent to the public different sources of origin as to different products or in different sections of the country as to the same product. On this analysis, it would appear that a more logical approach to the abandonment problem would eliminate the intent element altogether, placing the emphasis on whether the mark had lost its significance to the public as representing a product of the alleged abandoner.⁷ The ownership of the mark could be lost, on this analysis of the question, without any subjective intent on the part of the abandoner to abandon the use of the mark. Following such reasoning in the case under discussion, it would appear that *X* had lost its right to ownership of the mark in Kentucky through abandonment (mere disuse), as the court specifically

made in contracts for sale of its associated wares or by specific license, does not convey title or establish ownership of the trade-mark in the licensee or in one who purchases marked goods for resale. . . ." See also, *A. I. M. Percolating Corp. v. Ferrodine Chem. Corp.*, 139 Va. 366, 124 S. E. 442 (1924); also, 26 R. C. L., § 48 at p. 868 (1920).

⁴ An article in the *Harvard Law Review* raises the following question: "If one of the stores associated . . . permitted the other stores to use a brand name attached to a given class of merchandise, say "Adoria" as applied to a certain price dress, could that store at any time withdraw that privilege, or is the right irrevocable after the other stores have used the brand for a certain length of time?" Isaacs, "Traffic in Trade Symbols," 44 *HARV. L. REV.* 1210 at 1215 (1931). This is but one of the questions of this nature that confront business today with its pyramided system of marketing.

⁵ For a short but pertinent discussion of the requirement of intent to abandon in order to effect the abandonment of a trade-mark, see note in 30 *COL. L. REV.* 695 (1930), which asks: "What is abandonment? Mere disuse, it is held, is not. Judged by the language of the cases, the crux of the situation is the intent of the alleged abandoner."

⁶ For an exhaustive treatment of this phase of trade-mark law see Grismore, "Assignment of Trade Marks and Trade Names," 30 *MICH. L. REV.* 489 at 491-495 (1932).

⁷ Although courts do not hold to this analysis in so many words, this result is often reached by finding such an intention to exist on scant facts to support it where the situation showed a change in the public significance of the mark as to origin of the product. For a brief discussion see 30 *COL. L. REV.* 695 at 696 (1930) and *Royal Baking Powder Co. v. Raymond*, (C. C. Ill. 1895) 70 F. 376.

found that the mark "Monarch" was understood by the public in the plaintiff's territory to represent a product of the plaintiff.⁸ Defendant company as agent of *X* had no higher right to the mark than its principal, *X*, and was therefore a mere infringer and the injunction should have been granted plaintiff.⁹

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⁸ Principal case, 81 S. W. (2d) 1 at 2.

⁹ While the doctrine of laches does not operate against the defendant, it might be said in passing that the fact that *X* stood passively by for four years after the termination of its license to plaintiff and permitted plaintiff to market furnaces in Kentucky with the mark "Monarch," not entering the Kentucky market again for four years, should militate against *X*'s agent's rights. It appears that by this action *X* was willing that plaintiff should continue and further build up good will for "Monarch" furnaces in that territory during this period and then at a later date enter the territory and capitalize on the plaintiff's good will, built up by plaintiff's effort and diligence. From the facts it appears that plaintiff was the one who really developed the good will behind the mark in Kentucky by his efforts in marketing the product, and not *X*, who merely manufactured the product, which goes but a short way toward developing good will in present-day business. If *X* had built up the good will, the court would have been justified in refusing the licensee relief in a suit for infringement against the licensor, even though the mark had become associated in the mind of the public as synonymous with the licensee. The public should then have been protected by a provision in the decree requiring the licensor to use appropriate words in connection with the mark signifying that it represented a product of the licensor.