

World Trademark Review Daily

Bridal shop loses trademark rights due to naked licensing
United States - McDermott Will & Emery UK LLP

Licensing

June 10 2011

In Eva's Bridal Ltd v Halanick Enter Inc (Case 10-2863, May 10 2011), the US Court of Appeals for the Seventh Circuit has considered whether a family-operated bridal clothing business exercised sufficient quality control over services rendered under its trademarks to survive an abandonment challenge.

In 1996 Eva Sweis established a bridal clothing shop in Chicago named Eva's Bridal. The successful business expanded as Eva allowed her children to open their own shops under the same name. Ultimately, the business passed to Eva's relatives Said and Nancy Ghusein, who continued the practice of licensing the associated trademarks to relatives.

After opening an Eva's Bridal shop in a Chicago suburb, the plaintiff sold the shop to relative Nayef Ghusein. The agreement between the parties required Ghusein to pay Eva's Bridal \$75,000 per year for the right to use the name Eva's Bridal and the associated trademarks. After the licence agreement expired in 2002, Ghusein continued to use the name and marks without paying any royalty. In 2007 the plaintiff sued Ghusein for trademark infringement based upon his unauthorised use of the EVA's BRIDAL marks.

The district court dismissed the suit on the grounds that the plaintiff had abandoned the EVA's BRIDAL marks by engaging in naked licensing. A trademark may be found to have been abandoned if a mark owner allows others to use it without exercising reasonable control over the nature and quality of the goods or services rendered under the mark. Because the license agreement between the two parties did not contain any quality control requirements and did not give the plaintiff any authority over how the defendant's business was conducted, the district court determined that it had been abandoned and the defendant could use it. The plaintiff appealed.

On appeal, the Seventh Circuit upheld the finding of abandonment. The plaintiff argued that there was never any doubt about the high standards of the defendant and his company, so there was no reason to interfere in the defendant's operation of his business. The court rejected this position, explaining that no legal rule requires trademark owners to ensure "high-quality" goods or that "high quality" permits unsupervised licensing. Rather, the court explained, "[t]he sort of supervision required for a trademark licence is the sort that produces consistent quality". Trademark owners must exercise quality control to ensure that consumers receive a "repeatable experience". The court did not dispute that the defendant provided high-quality services, but instead held that the plaintiff had abandoned the company's marks because the firm had retained no control whatsoever over the defendant's use of the marks - neither via the licence agreement nor through course of performance.

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