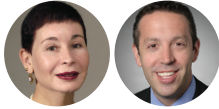


US: TRADE MARKS

Disputes between departing member and remnant group

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In *Lyons v American College of Veterinary Sports Medicine and Rehabilitation*, the US Court of Appeals for the Federal Circuit addressed a dispute regarding the proper owner of a service mark when there has been a departure from or change of membership in a group and both the departing party and the remnant group claim ownership of the mark. In so doing, the Court highlighted the importance for ventures to enter into formal agreements memorializing ownership of a mark.

Lyons was a founding member of the American College of Veterinary Sports Medicine and Rehabilitation (the College) and obtained in her own name a certificate of registration for the mark The American College of Veterinary Sports Medicine and Rehabilitation following her dismissal from the College. The College filed a cancellation action with the Trademark Trial and Appeal Board against Lyons' registration on the grounds of priority of use, likelihood of confusion, misrepresentation of source and fraud. The cancellation proceeding was suspended pending a civil action between the parties in which Lyons alleged trade mark infringement by the College. The district court dismissed Lyons' claims and the Board subsequently cancelled the trade mark registration, finding that Lyons was not the owner of the mark such that the application underlying her registration was void *ab initio*. Lyons then appealed the decision.

On appeal, Lyons argued that the Board erred in finding that she was not the owner of the mark at the time her application was filed, claiming that, as between the parties, she was the first to use the mark in commerce. The Court of Appeals confirmed that Lyons did not own the mark and that the test applied by the Board to determine ownership was

the correct one. The test applied considered the following factors: (1) the parties' objective intentions or expectations; (2) who the public associates with the mark; and (3) to whom the public looks to stand behind the quality of goods or services offered under the mark.

In applying the three-prong test, the Court held that the collective expectation of the parties was that Lyons and others would form the College with a name that became the trade mark rather than Lyons owning the mark individually; that Lyons only made a *de minimis* use of the mark such that her use never rose to the level necessary to create an association in the minds of the purchasing public; and that the College, which had obtained the necessary accreditation, was the party to whom the relevant public looks to stand behind the quality of the educational and certification services associated with the mark. Although Lyons may have been the first to use the mark and that her involvement with the College was the reason that the College adopted the mark at issue, the Court determined that the record established that the College used the mark in commerce first.

This case serves as a reminder that it is prudent for parties forming a jointly owned entity to memorialise trade mark ownership, especially following the possible dissolution of the entity or disassociation of one or more founders. If one of the parties is intended to hold ownership individually, any ambiguity would be minimised by having a formal agreement reflecting ownership of the mark (and, possibly, a grant of a licence to the entity to use the mark).