
Trademark Trial and Appeal Board: Mark Held Abandoned, Despite Use By Registrant's Parent

By [David Ehrlich](#)

Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC, 118 U.S.P.Q. 2d 1413 (T.T.A.B. 2016)

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In a precedential case decided on April 4, 2016, the Trademark Trial and Appeal Board ("TTAB"), in a cancellation proceeding, held a trademark abandoned for non-use. It did so even though the registrant's parent company was at least arguably engaged in marketing the product to try to use the registered mark at issue, NOBLE HOUSE for furniture.

The decision is noteworthy because the TTAB is usually reluctant to hold a mark that is still in use to be abandoned. Also, in some other contexts, as the TTAB acknowledged in this decision, it makes no difference, for purposes of determining whether use is valid, whether a mark is owned or used by a parent or by a subsidiary. That is, a parent company/registrant can rely on use by a subsidiary company to obtain or maintain a registration for a mark. In that situation, a *de facto* trademark license exists, and the necessary quality control over the use is deemed inherent in the parent's overall control of the business affairs of the subsidiary, even without a written license agreement, that is, the user is a

“related company” (a licensee), under Section 5 of the U.S. Trademark Act. *Noble House Home Furnishings, LLC v. Floorco Enterprises, LLC*, 118 U.S.P.Q. 2d 1413, 1421.

In another context, U.S. case law allows corporately-related companies, such as a parent and subsidiary, to own registrations for identical or confusingly-similar marks. One registration does not bar the application for the other. A “unity of control” can exist between these companies, so that there is no deception of the public and, for likely confusion purposes, the two corporately-affiliated companies are deemed to be a single entity. If the two trademark owners are a 100% parent and subsidiary, the required unity of control is deemed to exist automatically (USPTO Trademark Manual of Examining Procedure Section 1201.07(b)(i)).

In the present cancellation proceeding, the main issue was whether the registered mark was abandoned as a result of non-use, with no intent to resume use, as non-use abandonment is defined in Section 45 of the U.S. Trademark Act. The registrant, Floorco Enterprises, LLC (“Floorco”) asserted that marketing efforts under the mark by its parent company negated the “no intent to resume use” element of abandonment. The TTAB held that Floorco did not control the use of the mark or marketing by its parent company and, therefore, that the use or marketing by the parent company did not inure to the benefit of the subsidiary company (i.e., that the parent company was not a “related company” of the registrant). Accordingly, the trademark was abandoned due to non-use.

The TTAB rejected Floorco’s argument that use or marketing by the parent company was sufficient because, in effect, the parent company completely controlled Floorco, its subsidiary, and this caused the parent company to be the *de facto* owner of the mark. The TTAB stated that the parent company chose to place ownership of the mark in the subsidiary company and must, therefore, live with the consequences:

“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.” *Id.* at 1422.

Therefore, the TTAB went on to hold that the mark-using efforts by the parent company “cannot be deemed use of the mark by Respondent [Floorco] and cannot show that Respondent intended to resume use of the NOBLE HOUSE mark.” *Id.* at 1422.

The TTAB also reminded Floorco that it could have asked its parent to sign a license agreement to prove that use of the mark by the parent inured to the benefit of Floorco, but it omitted to do so. *Id.* at 1421.

We believe that the takeaway from this decision is that trademark owners must take care to insure that a valid, written trademark license agreement, with quality control, exists whenever the trademark owner and trademark user are corporately related, but the trademark owner is not the parent company of the actual user of the mark. Large and sophisticated trademark owners that put ownership of marks in holding companies, often for tax purposes, are usually well aware of the requirements for a written license between the trademark owner and the trademark user. Less sophisticated trademark owners may unwittingly assume that any kind of corporate relationship between the two corporate parties that own and use the mark will always make use by one company valid to obtain or maintain the registration. This decision is a reminder that the foregoing assumption can sometimes be false.

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