1201.03 Use by Related Companies

Section 5 of the Trademark Act, 15 U.S.C. §1055, states, in part, as follows:

> Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

Section 45 of the Act, 15 U.S.C. §1127, defines "related company" as follows:

> The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

Thus, §5 of the Act permits applicants to rely on use of the mark by related companies. Either a natural person or a juristic person may be a related company. 15 U.S.C. §1127.

The essence of related-company use is the control exercised over the nature and quality of the goods or services on or in connection with which the mark is used. When a mark is used by a related company, use of the mark inures to the benefit of the party who controls the nature and quality of the goods or services. This party is the owner of the mark and, therefore, the only party who may apply to register the mark. *Smith Int'l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1044 (TTAB 1981).

Reliance on related-company use requires, *inter alia*, that the related company use the mark in connection with the same goods or services recited in the application. *In re Admark, Inc.*, 214 USPQ 302, 303 (TTAB 1982) (finding that related-company use was not at issue where the applicant sought registration of a mark for advertising-agency services and the purported related company used the mark for retail-store services).

A related company is different from a successor in interest who is in privity with the predecessor in interest for purposes of determining the right to register. *Wells Cargo, Inc. v. Wells Cargo, Inc.*, 197 USPQ 569, 570 (TTAB 1977), *aff'd*, 606 F.2d 961, 203 USPQ 564 (C.C.P.A. 1979).

See TMEP §1201.03(b) regarding wholly owned related companies, TMEP §1201.03(c) regarding corporations with common stockholders, directors, or officers, TMEP §1201.03(d) regarding sister corporations, and 1201.03(e) regarding license and franchise situations.

1201.03(a) No Explanation of Use of Mark by Related Companies or Applicant's Control Over Use of Mark by Related Companies Required

The USPTO does not require an application to specify if the applied-for mark is not being used by the applicant but is being used by one or more related companies whose use inures to the benefit of the applicant under §5 of the Act. Moreover, where the application states that use of the mark is by a related company or companies, the USPTO does not require an explanation of how the applicant controls the use of the mark.

Additionally, the USPTO does not inquire about the relationship between the applicant and other parties named on the specimen or elsewhere in the record, except when the reference to another party clearly contradicts the applicant's verified statement that it is the owner of the mark or entitled to use the mark. *See* TMEP §1201.04. In such cases, the USPTO may require such details concerning the nature of the relationship and such proofs as may be necessary and appropriate for the purpose of showing that the use by related companies inures to the benefit of the applicant and does not affect the validity of the mark. 37 C.F.R. §2.38(b).

1201.03(b) Wholly Owned Related Companies

Related-company use includes situations where a wholly owned related company of the applicant uses the mark, or where the applicant is wholly owned by a related company that uses the mark.

Frequently, related companies comprise parent and wholly owned subsidiary corporations. Either a parent corporation or a subsidiary corporation may be the proper applicant, depending on the facts concerning ownership of the mark. The USPTO will consider the filing of the application in the name of either the parent or the subsidiary to be the expression of the intention of the parties as to ownership in accord with the arrangements between them. However, once the application has been filed in the name of either the parent or the wholly owned subsidiary, the USPTO will not permit an amendment of the applicant's name to specify the other party as the owner. The applicant's name can be changed only by assignment.

Furthermore, once an application has been filed in the name of either the parent or the wholly owned subsidiary, the USPTO will not consider documents (e.g., statements of use under 15 U.S.C. §1051(d) or affidavits of continued use or excusable nonuse under 15 U.S.C. §1058) filed in the name of the other party to have been filed by the owner. *See In re Media Cent. IP Corp.*, 65 USPQ2d 1637 (Dir USPTO 2002) (holding §8 affidavit filed in the name of a subsidiary and predecessor in interest of the current owner unacceptable); *In re ACE III Commc'ns, Inc.*, 62 USPQ2d 1049 (Dir USPTO 2001) (holding §8 affidavit unacceptable where the owner of the registration was a corporation, and the affidavit was filed in the name of an individual who asserted that she was the owner of the corporation).

Either an individual or a juristic entity may own a mark that is used by a wholly owned related company. *In re Hand*, 231 USPQ 487 (TTAB 1986).

1201.03(c) Common Stockholders, Directors, or Officers