1201.03 Use of Related Companies

Section 5 of the Trademark Act, 15 U.S.C. §1127, states, in part, as follows:

When a registered mark or a mark subject to registration is used or may be used representatively by related companies, such use shall be 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 40 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, one of the marks is owned by the related company, one of the marks is owned by 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. Section 111, 15 U.S.C. 11133 (TMD 1993). Reliance on related company use requires, inter alia, that the related company use the mark in connection with the same goods or services as were used in the application. In re Adair, Inc., 214 USPQ 362, 363 (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 which is a party with the predecessor in interest for purposes of determining the right to register. Welco Cargo, Inc. v. Wells Cargo, Inc., 197 USPQ 562, 578 (TTAB 1979), aff’d 500 F.2d 656, 213 USPQ 564 (C.C.A.P.A. 1974).

See 1 T.M.E.P. § 0611.3(a) regarding wholly owned related companies. 1 T.M.E.P. § 0611.3(b) regarding corporations with common shareholders, directors, or officers. 1 T.M.E.P. § 0611.3(c) regarding stock corporations, and 1 T.M.E.P. § 0611.3(d) regarding foreign 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 explanation of use when the mark is not being used by the applicant but is being used by one or more related companies whose use is to the benefit of the applicant or, at the ultimate, the applicant. 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 require an explanation or control over use of the mark or the relationship between the applicant and other parties named on the specimen or elsewhere in the application, except when the reference to another party clearly establishes the applicant’s verification that it is the owner of the mark or entitled to use the mark. See 1 T.M.E.P. § 0611.2(a). In such cases, the USPTO may require such details concerning the nature of the relationship and such proof as may be necessary and appropriate to the purpose of showing that the use by related companies is 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 compete 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 sales and/or use of the mark by the applicant and the fact that the applicant is a wholly owned subsidiary of a related company.

Furthermore, since an application has been filed in the name of either the parent or the wholly owned subsidiary, the USPTO will not consider documents or statements of use (U.S.C. §1065(b)) or affidavits of continued use (U.S.C. 1066(a)) that are filed in the name of the subsidiary and detrimental to the claims of the parent or subsidiary corporation. See 1 T.M.E.P. § 0611.3(a). An affidavit that is filed in the name of a subsidiary or related company in support of ownership of the mark or any other matter may be submitted by the parent corporation or related corporation.

Either an individual or a juristic entity may own a mark that is used by a wholly owned related company. See also 321 USPQ 467 (TTAB 1994).