

Improper Assignment of THE EMERALD CITY Mark – Registration Cancelled in Toto

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by Cathy Dahl



Assignment of an intent-to-use trademark application can be fraught with risk. To deter “trafficking” in ITU applications, Section 10 of the Lanham Act prohibits the assignment of an ITU application before an amendment to allege use has been filed unless the assignment is to a successor to all or a portion of the business of the applicant to which the mark pertains. A recent non-precedential decision of the U.S. Court of Appeals for the Federal Circuit in *Emerald Cities Collaborative, Inc. v. Sheri Jean Roese* shows how an

improper assignment of an ITU application can fatally undermine the later enforcement of trademark rights.

The case involved an application for the mark THE EMERALD CITY, filed on an intent-to-use basis by Perry Orlando in November 2008, later assigned to Emerald Cities Collaborative, Inc. (“ECC”) for business consulting services for the renewal energy industry. The subsequently issued registration was the basis for an Opposition filed by ECC against an ITU application filed by Sheri Jean Roese to register EMERALD CITIES for consulting services relating to environmentally friendly and sustainable products and services.

Because of the overall similarity of the marks and the services, one would think this Opposition would have been a cakewalk down the yellow brick road. But it wasn’t, and here’s why.

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In December 2009, ECC entered into an agreement with Orlando entitled “Trademark Assignment and License.” The agreement had an effective date of December 30, 2009 and expressly provided that the agreement “shall commence on the Effective Date. While Orlando and ECC may have been attempting to make the assignment effective only upon the future registration of the THE EMERALD CITY mark, a number of provisions in the agreement contradicted that intention. Between the effective date of the assignment and registration, the agreement provided that Orlando “may continue” to use the mark, and upon registration and completion of the transfer of the mark, ECC would then license certain rights to Orlando. The agreement also provided that Orlando would immediately receive \$25,000 and, upon payment and execution of an irrevocable Power of Attorney, ECC’s co-founder would take over the prosecution of the pending intent-to-use application. Orlando agreed to execute any necessary documents to prosecute the application to registration, promised to make use of the mark by January 31, 2010, and to provide evidence for filing an amendment to allege use for the mark.

The amendment to allege use was filed in April 2010, long after the effective date of the Agreement, and claimed a date of first use in commerce of January 15, 2010, also after the effective date of the Agreement. The application proceeded to registration and, in July 2010, Orlando and ECC recorded an assignment of the registration to ECC with an effective date of July 6, 2010.

ECC filed an Opposition in October 2010 against Roese’s application for EMERALD CITIES. Roese asserted affirmative defenses and a counterclaim to cancel ECC’s registration based on the improper assignment of an ITU application.

The TTAB ruled that the Agreement, when construed as a whole, was an improper assignment of the intent-to-use application, rejecting ECC’s argument that the Agreement was merely an agreement to assign the mark in the future. According to the Board, “the overall scheme and plan” of the Agreement reflected that, upon execution, Orlando relinquished, and ECC acquired, immediate control and ownership of the ITU application and mark, in a “manner tantamount to an assignment.” That included the right to control the quality of the goods and services sold under the mark by Orlando, the *de facto* licensee. Accordingly, the registration for the mark THE EMERALD CITIES was cancelled.

Adding insult to injury, ECC could not rely upon any common law rights in its mark as the basis for the Opposition because it failed to claim those rights in the Opposition filed against Roese’s application. The CAFC affirmed.

Two lessons highlighted in this case:

1. Do not fail to assert any common law rights that may exist in a trademark as a basis for an Opposition proceeding; and
2. Do not assign an ITU trademark application before an amendment to allege use is filed and accepted at the PTO, unless the assignee is a successor to the business of the applicant. An improper assignment will result in a twister capable of wiping out a registration.

