

What can hair metal and grunge bands teach us about IP ownership?

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It has been an interesting several weeks in the trademark world that have transported me back to my halcyon days of high school metal and college grunge (but mostly I was a new wave guy). The years-long litigation going “round and round” among the members of RATT over trademark rights to use the band’s name is finally winding down, while Nirvana, LLC, the entity formed by Krist Novoselic, Dave Grohl, and Courtney Love (after much litigation among themselves) to administer the legacy of the band Nirvana, has filed suit against fashion designer Marc Jacobs. The suit claims that the fashion brand is trading off a well-known Nirvana mark for its new “Redux Grunge” line. Marc Jacobs has not issued “all apologies” so, at this point, the suit will proceed.

It is interesting to note that a significant issue underlying each of these cases is ownership of the trademark, copyright, and other intellectual property rights of the bands. It may not be apparent, but all bands (at least serious ones trying to make money) are either partnerships (in fact or by default under the law) or companies of one form or another. Therefore, problems that arise with intellectual property ownership in bands can be instructive to any business that has multiple owners.

Partnerships and limited liability companies (LLCs) are interesting legal creatures. Absent appropriate terms in a written partnership or LLC operating agreement, each member of the partnership or LLC owns either an equal share of all the assets, including intellectual property, of the partnership. Even where there is a formal partnership or operating agreement, if ownership of intellectual property is not addressed in the terms, or by separate agreement or action, ownership may reside not reside in the entity but rather jointly in the individual partners or members.

In the case of RATT, the band actually entered into a formal partnership agreement back in the 1980’s. They registered the trademark RATT for “entertainment services, namely live musical performances by a band” as a partnership composed of each of the

individual band members. Over the years, several of the members were ousted from the band (the partnership) by (purportedly) being voted out by the remaining members. This did not prevent some former members from touring using the RATT name, which led to assertions of trademark infringement by the remaining members with differing results.

Former drummer Bobby Blotzer was apparently appropriately expelled from the band according to the terms of the partnership agreement requiring a unanimous vote. Therefore, after expulsion, he no longer had any rights to use the RATT mark. In contrast, bassist Juan Croucier argued that he had never been formally expelled from the band because one of the remaining members did not participate in the vote to expel him. On this basis, he claimed a 20% interest in the trademark and thus the right to use the RATT mark in promoting his band. The court agreed, and claims against Croucier for trademark infringement by the remaining band members were dismissed. (This is a simplified summary. The whole is a bit more convoluted if you read further about the litigation.)

The Nirvana dispute raises similar trademark and copyright ownership issues, at least according to the defense asserted by Marc Jacobs. Apparently, a formal partnership or corporate entity was never formed by the band while Kurt Cobain was alive. Nirvana LLC was formed after Cobain's death to manage the band assets accruing to the owners, i.e., Novoselic, Grohl, and Love (Cobain's widow), by operation of law. Marc Jacobs argues that the happy face logo was never formally registered by Nirvana as a trademark and any copyright in the drawing was never transferred from Cobain to the band before he died.

Whether or not these are valid defenses to copying of a design or use of a purported trademark, this defense and the travails of the members of RATT highlight the question of who owns intellectual property assets of partners or LLC members that are created in furtherance of and for the benefit of the business. Absent clear agreement and direction in the entity formation documents (i.e., the partnership agreement or LLC operating agreement) and follow up documents formally assigning intellectual property rights to the entity, such questions can be muddled at best.

So what can we learn from the school of rock? Consider the type of entity used to conduct your business. In addition to tax and management issues, the consequent treatment of ownership of intellectual property assets should also be assessed in business formation and throughout the operation of the business. In corporations, every principal is an employee. Thus, the question of ownership of intellectual property created during the course of operation and for the benefit of the business is usually clear: in almost all cases the company owns it. With partnerships and LLCs, this is not so, as illustrated by the lessons of rock and roll. Partnership and operating agreements should have clear terms stating that ownership of trademarks, copyrights, and other intellectual property accrues to the partnership or LLC. The agreements should also provide that partners or members involved in the creation of intellectual property must execute assignment documents to ensure that copyright and patent assets are formally transferred to the business entity. This additional requirement is necessary to overcome

default positions of copyright and patent law in which ownership of a work or invention initially resides in the creator.

Now that I've finished this TMCA entry, I think I'm going to pull my RATT album out of the cellar and give it a spin. Whoops. Need a turntable. Nevermind.