Mark abandonment defense takes a tumble in *TUMBLEBUS Case*

By Brian E. Banner.[1]

The defense of trademark abandonment through naked licensing takes a tumble . . . it is not always a defense to infringement.

In *Tumblebus Inc. v. Cranmer,* No. 04-5060 (6th Cir, 2005) the Court of Appeals for the Sixth Circuit held that the alleged infringer's "abandonment" defense was ineffective where grounded on the fact that plaintiff allowed unregulated licensors to use the trademark in other parts of the country. Brenda Scharlow owns Tumblebus Inc., a child's gymnastics and physical education company operating in greater Louisville, Kentucky under the common law brand name TUMBLEBUS mobile gym on wheels. Tumblebus Inc. also sells its retrofit gym buses to other operators and allows them to use the TUMBLEBUS mark to advertise their gymnastic services. However, it will not sell a bus to anyone who intends to use it in Tumblebus Inc.'s established territory. Some bus sales contracts contain written geographical restrictions but most do not. Tumblebus Inc. did not structure its business as a franchise since on-site service monitoring would be too difficult.

Tara Pate purchased a bus from Tumblebus Inc. and agreed to operate in Elizabethtown and several other cities in Kentucky. When Pate advertised her gymnastics services under the TUMBLEBUS mark to day-care centers in the Louisville area Scharlow objected. Pate did not enter the Louisville market and shortly thereafter left the mobile gymnastics instruction business altogether and listed her bus for sale.

Cranmer purchased Pate's used TUMBLEBUS bus after allegedly representing to Scharlow that it would only be used in Bloomington, Indiana. When Cranmer began to operate in the Louisville area under the trade name "Tumblebus of Louisville" and advertised her business in the Louisville telephone book next to Tumblebus Inc., Scharlow insisted that Cranmer remove the word TUMBLEBUS from her trade name. When Cranmer failed to comply with this demand a suit for infringement was filed. After an evidentiary hearing the district court issued a preliminary injunction and an appeal was taken.

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On appeal, Cranmer claims the district court erred when it issued the preliminary injunction by discounting the affirmative defense of trademark abandonment.

Title 15 U.S.C. § 1127 of the Trademark Act provides that:

> *[a] mark shall be deemed "abandoned" . . . [w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark.*

One method by which a mark may be abandoned and unenforceable is through naked licensing. This occurs when a trademark owner (licensor) fails to exercise reasonable control over the licensed use of a mark by a licensee. The mark then no longer identifies goods or services that are under the control of the licensor's and it no longer provides a meaningful assurance of quality. However, abandonment of trademark rights in one geographical area does not result in extinguishment of rights in all other geographical areas. The burden of proof faced by one attempting to show abandonment through a naked licensing is stringent.

In affirming the district court's preliminary injunction the Sixth Circuit held that it was unclear from the record whether the relationship between Tumblebus Inc. and bus purchasers with respect to the TUMBLEBUS mark is most aptly categorized as a license (requiring quality control), a consent to use agreement (not requiring quality control), or neither. Further, it noted that Cranmer failed to carry its burden of proof on the abandonment issue. While the TUMBLEBUS mark may have lost its significance as an indication of source, origin or sponsorship outside the greater Louisville area, the record showed it had not lost its significance within the greater Louisville area.

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