Transfers in Trademark Law
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Abstract:

Trademark law prohibits assignments in gross and naked licensing in an effort to reduce the chance that trademarked goods will fail to meet consumer expectations. For these doctrines to have any effect, a third party must enter the market and utilize the disputed mark. However, entrants are least likely to enter the market when these doctrines are most needed: when consumer expectations will be frustrated due to a change in quality. By failing to meet consumer expectations, the assignee or licensee will degrade the mark and reduce the profit that the entrant can earn. Perhaps for this reason we find very few federal court cases in the last twenty years in which these doctrines worked as intended. Courts could reinvigorate the doctrine by allowing the entrant to utilize these doctrines when the assignor or assignee did not take sufficient precautions to ensure that quality would remain consistent even if quality actually did remain consistent. In a world of imperfect courts, however, these doctrines may create substantial costs. They may cause contracting parties to take excessive precautions and may prevent efficient sales of trademarks. This may in turn create a “last period problem” and provide the original owner of the mark with an incentive to exploit consumer expectations before going out of business or invest less in trademarks. Ultimately American trademark law may benefit from the European model and simply abandon the doctrines altogether.