UNITED STATES: Ninth Circuit: Trademark Act Provides No Independent Cause of Action for Cancellation

Contributor: Robert P. Felber, Jr., Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee
Verifier: Timothy J. Lockhart, Wilcox & Savage, P.C., Norfolk, Virginia

In a recent decision, the U.S. Court of Appeals for the Ninth Circuit affirmed the district court’s dismissal of a trademark cancellation claim under Section 37 of the Trademark Act, finding that the Act does not create an independent cause of action for cancellation of a trademark. Airs Aromatics, LLC v. Victoria’s Secret Stores Brand Management, Inc., Appeal No. 12-55276 (9th Cir. Feb. 28, 2014).

The predecessor to Airs Aromatics, LLC (Airs) began using the trademark ANGEL DREAMS in connection with the sale of perfume and personal care products in 1991. In 1999, Airs’ predecessor entered into a consent-to-use agreement with Victoria’s Secret Stores Brand Management, Inc. (Victoria’s Secret) allowing Victoria’s Secret to use the trademark DREAM ANGELS for certain personal care products in exchange for an annual fee. Litigation later ensued among Airs and its affiliates over the ownership of the ANGEL DREAMS marks, and the federal registrations were consequently cancelled. During the course of this litigation, Victoria’s Secret ceased making payments to Airs and filed applications to register the DREAM ANGELS mark for its products.

Airs, claiming ownership of common-law rights in the ANGEL DREAMS marks, filed a complaint alleging that Victoria’s Secret breached the consent-to-use agreement and the associated implied covenant of good faith and fair dealing. Airs sought cancellation of Victoria’s Secret’s registrations for DREAM ANGELS based on a likelihood of confusion. Victoria’s Secret moved to dismiss the action on the ground that Airs failed to sufficiently plead continuous use of the ANGEL DREAMS mark necessary to establish common-law ownership of the mark. The district court dismissed the case, finding that Airs lacked standing to pursue the cancellation claim because it had not adequately proven common-law rights in the mark ANGEL DREAMS. Airs appealed only the dismissal of its claim for cancellation of the trademarks.

The Ninth Circuit held that Section 37 of the Trademark Act, which gives district courts the power to order cancellation of a trademark registration “in any action involving a registered mark,” specifies that cancellation may be sought only if there is an ongoing action involving a registered mark. The court noted that each federal court of appeal that had directly addressed Section 37 had found that it “creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction.”

The Ninth Circuit rejected Airs’ argument that its cancellation action was actually a poorly pleaded claim of trademark infringement (for which cancellation would be an appropriate remedy) because Airs failed to establish a protectable ownership interest in the ANGEL DREAMS mark.

Accordingly, the Ninth Circuit affirmed the district court’s judgment, dismissing the action with prejudice.

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