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NEWSLETTER OF THE INTELLECTUAL PROPERTY PRACTICE GROUP OF MANATT, PHELPS & PHILLIPS, LLP

### Trademark Assignments: Stepping Into the Shoes – And Maybe the State – Of the Prior Trademark Owner

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When a trademark holder assigns a trademark to a new owner, the new owner “steps into the shoes” of the prior owner and succeeds to all rights and priorities of the prior owner. This means that the new owner can claim trademark rights extending back to the date on which the prior owner first used the mark. Recently, a federal court analyzed this general rule and determined that the new owner also steps into the prior owner’s shoes for purposes of establishing personal jurisdiction over the new owner. Accordingly, the new owner can be haled into an ongoing action in any state where the prior owner was subject to jurisdiction, even if the new owner does not conduct business there.

In *OMS Investments, Inc. v. Regenerated Resources, LLC*, 2008 WL 896306, Plaintiff sued Defendant in the federal court of the Southern District of Ohio, alleging trademark infringement based on defendant’s use of ORGANIC-GRO for fertilizers sold throughout the United States. Plaintiff claimed that Regenerated willfully infringed Plaintiff’s numerous federally registered trademarks, including MIRACLE-GRO and ORGANIC CHOICE.

Shortly after Plaintiff filed the action, however, Regenerated’s founder and chairman created a new entity, Blackstone Business Group, Inc., a Massachusetts Corporation. Regenerated then assigned its ORGANIC-GRO trademarks to Blackstone in what Plaintiff argued was a transparent attempt to escape liability. Indeed, when Plaintiff added Blackstone as a Defendant in the case, Blackstone moved to dismiss the complaint against it, arguing that it did not use the contested mark on goods in Ohio or do any other business in Ohio.

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Blackstone thus claimed it had no “contacts” with Ohio, as required by the Due Process Clause of the Constitution and the laws of the State of Ohio, and therefore the court lacked personal jurisdiction over Blackstone.

In deciding Defendant’s motion to dismiss, the court first acknowledged the general rule that the assignee of a trademark steps into the shoes of the assignor and succeeds to all trademark rights and priorities of the prior owner. The court then interpreted that general rule to allow the court to impute Regenerated’s contacts with the State of Ohio to Blackstone, noting that “the Court has personal jurisdiction over [Blackstone] by virtue of the fact that it now owns the marks that are the subject of this litigation.” The court noted that its exercise of jurisdiction over Blackstone was not unreasonable because, “when transactions occur between parties located a great distance from each one, inevitably one of the parties to a lawsuit will be inconvenienced.” The Court explained that the state of Ohio has a strong interest in trying the infringement action in order to discourage trademark infringement within the state and see that its residents’ property rights are protected. Accordingly, on balance, the court concluded that its exercise of jurisdiction was reasonable.

This case serves as a warning to trademark owners and potential purchasers as well. Once a trademark has become the subject of litigation, merely transferring it to a new entity will not insulate the mark from the litigation. Parties seeking to acquire trademarks should be sure to research the validity of those trademarks and be aware if the marks are the subject of ongoing litigation. One who purchases a mark that is subject to litigation can expect to be joined in the litigation no matter how remote the jurisdiction.

Plaintiff was represented by [Susan Hollander](#), [Seth Gold](#) and [Kathryn Bartow](#) of Manatt, Phelps, & Phillips LLP. Defendants were represented by Schottenstein, Zox & Dunn Co., LPA.

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[Kathryn Barry Bartow](#) Ms. Bartow specializes in intellectual property matters, including complex litigation in copyright, trademark and trade dress infringement, dilution, unfair competition and false advertising cases. Ms. Bartow is also active in pro bono matters, including successful representation of a Mayan Guatemalan refugee in an Immigration Court asylum hearing and various projects

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