

A Hole In None: When a Trademark Filing Goes Awry

Trademark Alert

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As lawyers for start-up and emerging-growth companies, we see a range of disputes between founders and costly missteps that could have been avoided with proper planning and good advice. The ownership of intellectual property (IP) is one issue that we frequently need to address because the failure to button up rights can have a disastrous impact on rounds of financing and even destroy co-founder relationships. Mistakes made early in the life of a start-up can be costly or impossible to fix down the road, as was discovered by one founder who lost a trademark registration to his former partner's company.

Michael Lajtay filed in his own name a trademark application for the mark HOLE IN ONE for sports, performance, and recovery drinks. The trademark was registered in due course. At the time, Lajtay was partnering with Darryl Cazares to seek funding to form a limited liability company (LLC) to market and sell these sports drinks. Many documents, such as a business plan, showed that the two partners were working together on this venture. Lajtay then formed an LLC called Hole-In-One Drinks, LLC. Later, Lajtay and Cazares had a falling out, and Cazares formed a second corporation to sell these products. Cazares filed two new trademark applications for HOLE IN ONE for sports drinks, which he later assigned to his new corporation. The Trademark Office rejected both of these applications based on the earlier Lajtay trademark registration. Cazares, on behalf of his new corporation, sought cancellation of the Lajtay trademark at the Trademark Trial and Appeal Board (TTAB).

At the TTAB, Cazares alleged that Lajtay was not the owner of the mark when it was submitted, and therefore his application was void from the date of its submission. The TTAB rejected this argument because Lajtay had filed on an intent-to-use basis, and ownership does not attach until there is actual use of the trademark. However, the TTAB found another way to cancel Lajtay's trademark registration.

The TTAB reinterpreted the corporation's argument to hold that at the time of filing his application, Lajtay had lacked a bona fide intent to use the mark all by himself. Lajtay was working with Cazares to form the sports drink LLC and intended to use the mark together with Cazares. At the time of filing his application, he thus lacked the requisite intent to use the mark by himself, as an individual. In other words, he should have filed in their joint names because this was a business partnership, not a solo venture. The

TTAB found in favor of Cazares' corporation and cancelled Lajtay's trademark.

This is a harsh lesson that should be taken to heart by entrepreneurs with visions of creating the next great brand. Mistakes can be made that can be fatal to a trademark application, so it is important to consult with trademark counsel before filing any applications for intended business assets. The McCarter team routinely advises early-stage companies in IP strategy and implementation in this regard.

The case is [*Hole In 1 Drinks, Inc. v. Lajtay*](#), Cancellation No. 92065860 (February 19, 2020) [precedential].