

## MEASURING THE VALUE OF A “ZOMBIE” BRAND: A SURVEY-BASED MODEL

BY JOSEPH C. GIOCONDA<sup>1</sup>

### ABSTRACT

*A brand can remain alive in the public’s collective memory bank for years after its use has been thoroughly discontinued in the marketplace. These brands can potentially be revived, either in the same class of goods or services as in their former lifetimes, or they can take a totally different direction after reincarnation.*

*This article discusses two real-world case studies of such brand revival and canvasses the law and policies related to abandoned trademarks. Further, it proposes a specific measure for valuing the revival potential of a dormant brand name through an empirical consumer survey. Specifically, an online consumer survey conducted for this article questioned over 800 consumers. It measured any potential advantage provided to a new business using the mark “CIRCUIT CITY,” as compared to a new mark “TECH TOWN” for the hypothetical launch of a chain of new nationwide retail electronics stores.<sup>2</sup>*

*Consumer survey results revealed that the dormant brand CIRCUIT CITY contained no statistically measurable goodwill-based advantage over the launch of a*

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<sup>1</sup> Joseph C. Gioconda, Esq. (Yale Law School, J.D. 1997) is a trademark attorney and consultant in private practice with the GIOCONDA LAW GROUP PLLC in New York and Pennsylvania who has litigated and consulted on many matters involving dormant trademarks.

<sup>2</sup> Jason Albanese, *Zombie Brands: 3 Tech Retailers Get a Second Chance at Life*, INC.com (Jan. 13, 2017), <https://www.inc.com/jason-albanese/zombie-brands-3-tech-retailers-get-a-second-chance-at-life.html> [<https://perma.cc/8KU3-DRQF>] (discussing revival attempt of CIRCUIT CITY brand).

*totally new brand, but the brand also did not possess any higher negative connotation among consumers, yet many consumers recognized the brand. Therefore, while there might be some economic advantage to harnessing the name recognition of a dormant brand, the dormant brand nonetheless faces the same obstacles to a successful market re-entry as any totally new brand in the same category. Verbatim responses revealed that consumers are sophisticated and are wary of automatically assuming that a newly-revived dormant brand would provide the same quality of products or services as before.*

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## INTRODUCTION

Like soldiers, old brands don't die, they just fade away.<sup>3</sup> But on some occasions, brand names can still enjoy substantial consumer recognition despite not having been actively used in commerce for many years.<sup>4</sup> Such a

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<sup>3</sup> Martin Bishop, *Old brands never die; they just fade away*, BRAND MIX (May 19, 2008), <http://brandmix.blogspot.com/2008/05/old-brands-never-die-they-just-fade.html> [<https://perma.cc/5TMX-TH6W>]. The phrase "old soldiers don't die, they just fade away" is usually attributed to General Douglas MacArthur in his farewell address to Congress. However, as MacArthur himself noted, the line comes from a song that was popular with British soldiers during World War I, called "Old Soldiers Never Die."

<sup>4</sup> See Steven Philip Warner, *Most Dormant Brands Have Equity or Value*, BUSINESS & MARKETING, June 2013, at 70.

trademark is typically a brand that has been legally abandoned.<sup>5</sup> These are called dormant trademarks, or, perhaps more colorfully (if not pejoratively), “zombie brands.”<sup>6</sup> Current U.S. law permits the resuscitation and recapture of dormant trademarks, once they are legally abandoned.<sup>7</sup>

Notable examples of brand-name trademarks that were legally forfeited and later revived include: PAN AM for airlines<sup>8</sup>; WOOLWORTH for discount stores/apparel<sup>9</sup>;

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<sup>5</sup> The U.S. District Court in *Exxon Corp. v. Humble Expl. Co.*, 524 F. Supp. 450, 461 (N.D. Tex. 1981), *aff'd in part, rev'd in part*, 695 F.2d 96 (5th Cir. 1983), first coined the term “a dormant trademark” meaning one “with recognized residual good will.”

<sup>6</sup> *Macy's Inc. v. Strategic Marks LLC*, Nos. 11-cv-06198-EMC, 15-cv-00612-EMC, 2016 WL 374147 at \*2 (N.D. Cal., Feb. 1, 2016) (“Strategic Marks is a business that revives ‘zombie’ brands, or brands that have been abandoned.”); *see also* Daniel Gross, *Attack of the Zombie Brands!*, (Slate, March 16, 2007) <https://perma.cc/Y9M9-NNJC>; Katherine Stephan, *Dead Brands Walking*, CRAIN'S CHICAGO BUSINESS, (December 6, 2004) <https://perma.cc/Z2PZ-YDLG>.

<sup>7</sup> There are economic rationales for this current policy, and for avoiding the “warehousing” of unused trademarks. *See, e.g.*, William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 281 (1987) (observing that warehousing registrations without use of marks in Japan increases the cost of entering that market, thus creating an inefficient entry barrier); *see also* Roberta Jacobs-Meadway, *Is a Trademark's Abandonment Always a Bar to Relief and Should It Be?: The Conundrum of Residual Good Will*, COMMERCIAL DAMAGES REPORTER, Apr. 2012, at 144 (noting that the Lanham Act was amended to include a 10-year term to remove the “dead wood” of unused trademarks).

<sup>8</sup> The name and globe logo for “PAN AM” was successfully re-registered on April 19, 2016 for airlines. PAN AM, Registration No. 4,941,545.

<sup>9</sup> Foot Locker Retail, Inc. successfully re-registered “WOOLWORTH” as a federally registered trademark for t-shirts on February 5, 2013. WOOLWORTH, Registration No. 4,286,464.

NUPRIN for ibuprofen;<sup>10</sup> WHITE CLOUD for toilet paper;<sup>11</sup> SHARPER IMAGE for specialty stores; SALON SELECTIVES for shampoo; COLECO for interactive video game systems;<sup>12</sup> PABST BLUE RIBBON for beer; INDIAN MOTORCYCLE, OVALTINE for beverages; BRECK SHAMPOO;<sup>13</sup> and STUDEBAKER<sup>14</sup> and PONTIAC<sup>15</sup> for automobiles.<sup>16</sup>

A recurring question is posed by those who are considering acquiring and reviving a dormant trademark: how valuable is a dormant brand, and can that latent value be objectively measured?<sup>17</sup>

## I. THE TRADEMARK LIFE CYCLE

All trademarks<sup>18</sup> undergo a life cycle: they are “born” when they are first used in commerce, but will

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<sup>10</sup> Rob Walker, *Can a Dead Brand Live Again*, N.Y. TIMES (May 18, 2008), <http://www.nytimes.com/2008/05/18/magazine/18rebranding-t.html> [<https://perma.cc/XNH7-XTFB>].

<sup>11</sup> *Infra*. SECTION VIII.A.

<sup>12</sup> See DAVID S. RUDER, STRATEGIES FOR INVESTING IN INTELLECTUAL PROPERTY 98-99 (2011).

<sup>13</sup> David Ruder, *The real zombies exist solely on the books*, INTELLECTUAL ASSET MANAGEMENT, July/Aug. 2010, at 73.

<sup>14</sup> STUDEBAKER was re-registered by a French company for automobiles on March 24, 2015. STUDEBAKER, Registration No. 4,705,734.

<sup>15</sup> U.S. Trademark Application Serial No. 87/044,157 (filed May 19, 2016).

<sup>16</sup> Ruder, *supra* note 13, at 5.

<sup>17</sup> See, e.g., Jake Linford, *Valuing Residual Goodwill after Trademark Forfeiture*, SSRN: FSU COLLEGE OF LAW, LAW, BUSINESS & ECONOMICS PAPER NO. 1-17 (2017), <https://ssrn.com/abstract=2928643> [<https://perma.cc/G6FK-T33Z>]; see also Rob Walker, *Rob Walker on Reviving Dead Brands*, N.Y. TIMES MAGAZINE (May 19, 2008) <http://www.nytimes.com/2008/05/19/magazine/walker.html> [<https://perma.cc/XNH7-XTFB>].

<sup>18</sup> A trademark or service mark is any word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods or

eventually fade away and “die” once they are abandoned.<sup>19</sup> Theoretically, however, trademark rights can endure forever to the extent the marks continue to be actively used in commercial activity,<sup>20</sup> and some trademark registrations are living relics of the past.<sup>21</sup> However, in view of the trademark life cycle most marks enter the dustbin of history after they are abandoned and are eventually forgotten entirely.<sup>22</sup>

Sometimes, a trademark is legally abandoned by its former owner, but the brand name will remain recognizable, even years after the trademark itself has legally passed into the public domain. Although these

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service of one party from those of others. 15 U.S.C. § 1127 (2012). Some examples include brand names, slogans, and logos. The term “trademark” and “brand” are used interchangeably herein.

<sup>19</sup> See 15 U.S.C. § 1127; see also *Crash Dummy Movie, LLC v. Mattel, Inc.*, 601 F.3d 1387, 1391 (Fed. Cir. 2010) (discussing trademark abandonment doctrine); *Cerveceria Centroamericana S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1025 (Fed. Cir. 1989) (discussing evolution of trademark abandonment doctrine).

<sup>20</sup> See *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 637-38 (7th Cir. 1993) (awarding perpetual legal protection to a trademark that continues to be used in commerce does not conflict with concept of the limited patent monopoly grant).

<sup>21</sup> Currently, the oldest federally registered trademark still in use is UNDERWOOD, Registration No. 367,570 for “canned deviled ham” and other foods, which has been continuously registered since 1939, and which was first used in commerce in 1937.

<sup>22</sup> An example of such a dead brand name is Schickel Motorcycles. KEN ANDERSON, *THE ILLUSTRATED HISTORY OF THE SCHICKEL MOTORCYCLE 1911-1924*, 193 (2008). Remembered today by only the most avid motorcycle collectors and New England historians, the Schickel Motor Company built approximately 1,000 motorcycles in Connecticut in the 1920’s. However, Schickel was responsible for several innovations that were so useful and groundbreaking that other major motorcycle manufacturers, notably Harley-Davidson and Indian, stole them. *Id.* However, once founder Norbert Schickel himself died, so too did his namesake brand. The Schickel Mark is therefore dead, not “dormant,” as there is likely no measurable goodwill remaining in it.

trademarks are still dead from the perspective of the law as they are not currently in use, consumers, however, may still recall the brand name and may even maintain specific memories of experiences with the brand. Such brands can be acquired, revived, and given a second chance at life – often by a new company wholly unrelated to the former owner.<sup>23</sup> In her treatise, Anne Gilson LaLonde describes such brands as “previously abandoned, newly revived trademarks that still enjoy a measure, and sometimes an extraordinary measure, of consumer recognition and loyalty.”<sup>24</sup>

Why would a business choose to market its new products or services by resurrecting an old brand name, instead of coining a wholly new one? To the extent that a brand has already been time-tested – it has previously functioned in the marketplace – it may stand a better chance of garnering and retaining brand equity than a new one that is an unknown quantity.<sup>25</sup> Also, some dormant

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<sup>23</sup> See, e.g., Jeffrey McCracken & Peter Lattman, *Sharper Image Lives – as a Brand*, WALL STREET JOURNAL (June 26, 2008), <https://www.wsj.com/articles/SB121444138065805601> [<https://perma.cc/EQ64-YVET>] (noting that companies have purchased such dormant brands as POLAROID and SHARPER IMAGE for continued use in various industries).

<sup>24</sup> 1-3 Anne Gilson LaLonde, GILSON ON TRADEMARKS § 3.05 [7][b] (2016); see also Jerome Gilson & Anne Gilson LaLonde, *The Zombie Trademark: A Windfall and a Pitfall*, 98 TRADEMARK REP. 1280, 1280 (2008).

<sup>25</sup> Recycling an old brand does not guarantee success but may offer an initial advantage. For example, *Collier's*, an American magazine founded in 1888, and *Saturday Review*, a magazine founded in 1924, both attempted recent brand revivals recently, and benefitted from large initial subscriptions based on name recognition and perhaps residual goodwill. Joseph N. DiStefano, *Berwyn Publisher to revive Collier's, Saturday Review mags*, PHILLY.COM (December 14, 2010) [http://www.philly.com/philly/blogs/inq-phillydeals/Berwyn\\_med\\_publisher\\_will\\_bring\\_back\\_Colliers\\_Saturday\\_Review.html](http://www.philly.com/philly/blogs/inq-phillydeals/Berwyn_med_publisher_will_bring_back_Colliers_Saturday_Review.html) [<https://perma.cc/RET6-4AAG>].

brand names have the potential to be marketed under a “retro”-theme, capitalizing on the marketplace’s desire for vintage-looking items. Examples include the re-emergence of VICTROLA<sup>26</sup> and CROSLEY<sup>27</sup> as brand names for USB/Bluetooth turntables, now sold at Urban Outfitters and other fine stores.<sup>28</sup>

Perhaps more importantly, to the extent that a dormant brand name maintains measurable continuing recognition among consumers, initial marketing costs may be lower than would be the case with a newly-invented one. As *The Economist* writes:

...[R]ediscovering and restoring a neglected brand, tapping into consumers’ fond memories of times gone by, is surely a cost-effective way of competing in a marketing landscape where start-up costs are prohibitive and the chances of failure are high. If capitalism is a system of creative destruction, in Joseph Schumpeter’s famous phrase, it is a system of creative reconstruction as well.<sup>29</sup>

It can easily cost millions of dollars in advertising and promotion to achieve nationwide consumer recognition of a brand, and consumer goodwill can take years to

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<sup>26</sup> VICTROLA, Registration No. 5,103,253.

<sup>27</sup> CROSLEY was originally the name of a car manufacturer. By 1977, the name was reinvented for radios. CROSLEY, Registration No. 1,146,541.

<sup>28</sup> See, e.g., Victrola Nostalgic Classic 8-In-1 Bluetooth® Turntable in Mahogany, BED BATH & BEYOND (2017) [https://www.bedbathandbeyond.com/store/product/victrola-trade-nostalgic-classic-8-in-1-bluetooth-reg-turntable/3304396?skuId=47294417&mcid=PS\\_googlepla\\_nonbrand\\_sereware\\_&product\\_id=47294417&adpos=1o1&creative=43742631949&device=c&matchtype=&network=g&gclid=CJ6zwYDnwtMCFU5LDQodQfoMOW](https://www.bedbathandbeyond.com/store/product/victrola-trade-nostalgic-classic-8-in-1-bluetooth-reg-turntable/3304396?skuId=47294417&mcid=PS_googlepla_nonbrand_sereware_&product_id=47294417&adpos=1o1&creative=43742631949&device=c&matchtype=&network=g&gclid=CJ6zwYDnwtMCFU5LDQodQfoMOW) [<https://perma.cc/CBZ3-9PD7>].

<sup>29</sup> Joseph Schumpeter, *Hidden Gems: Reviving old brands sometimes makes more sense than creating new ones*, THE ECONOMIST (April 12, 2014), <https://www.economist.com/news/business/21600692-reviving-old-brands-sometimes-makes-more-sense-creating-new-ones-hidden-gems> [<https://perma.cc/V8TL-NANF>].

accrue.<sup>30</sup> A revived dormant brand may be able to start out with an advantage in having brand recognition on day one, but we can also be sure that if revival of a well-known dormant brand name confers an initial benefit, consumers will quickly decide whether the product or service marketed under the revived name is worth purchasing.<sup>31</sup>

## II. TRADEMARK ABANDONMENT THROUGH NON-USE

Typically, a dormant trademark has been legally abandoned.<sup>32</sup> In legal terms, intentional abandonment is the relinquishment, giving up or renunciation of an interest, claim or right, with the intent of never again resuming or reasserting it.<sup>33</sup> Under U.S. trademark law, a mark is legally forfeited after its owner ceases to use that trademark to identify the origin of products and services.<sup>34</sup>

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<sup>30</sup> See LESLIE DE CHERNATONY, FROM BRAND VISION TO BRAND EVALUATION 4-6 (2006) (customer confidence and brand loyalty take “years of careful nurturing” by brand owner to develop, and success only “results from repeated brand interactions characterized by consistency and a perception that a brand cares for the customer.”).

<sup>31</sup> See Russell L. Parr & Gordon V. Smith, INTELLECTUAL PROPERTY: VALUATION, EXPLOITATION AND INFRINGEMENT DAMAGES 43 (2005) (“good will is described as patronage, or the proclivity of customers to return to a business and recommend it to others...”).

<sup>32</sup> Occasionally, dormant trademarks are sold through auction as part of bankruptcy liquidation proceedings. See Robert B.G. Horowitz, *Under the hammer: are trademark auctions bane or boon?*, WORLD TRADEMARK REVIEW, Apr./May 2011, at 32 (noting that dormant CIRCUIT CITY trademark was sold for \$14M in bankruptcy auction); see also *In re Crumbs Bake Shop, Inc.*, No. 14-24287, 2014 WL 5508177, at \*2 (Bankr. D.N.J. Oct. 31, 2014) (guidance regarding the rights of trademark licensees in connection with the sale of substantially all of the assets by a Chapter 11 debtor).

<sup>33</sup> *Actual abandonment*, BLACK’S LAW DICTIONARY 2 (10th ed. 2014).

<sup>34</sup> 15 U.S.C. § 1127 (definition of “abandonment” under the Lanham Act).

It is black letter trademark law that ongoing “rights in a trademark are acquired and maintained through *use*.”<sup>35</sup> Under Section 45 of the Lanham Act,

a mark shall be deemed to be “abandoned” when ... its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be *prima facie* evidence of abandonment. “Use” of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.<sup>36</sup>

A forfeiture can also occur through the gradual whittling away of the ability of a mark to function as a single-source identifier – so-called “genericide” – or it can happen because of the intentional abandonment by the brand owner, as evidenced by non-use.<sup>37</sup> It is this second type of abandonment which most dormant brands experience.<sup>38</sup>

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<sup>35</sup> *Major League Baseball Props., Inc. v. Sed Non Olet Denarius, Ltd.*, 817 F. Supp. 1103, 1126 (S.D.N.Y. 1993), *vacated by settlement*, 859 F. Supp. 80 (S.D.N.Y. 1994) (emphasis added) (citing *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (“The law of trademarks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption”)); *see also* D.V.L. Mastrullo, *Trademark Parody Litigation and the Lanham Act: Fitting a Square Peg in a Round Hole*, 54 U.CIN.L.REV. 1311, 1324 (1986) (“Rights to a trademark are acquired only through deliberate and continuous use of the trademark, and thus rights to a trademark can be lost where the mark is abandoned ...”).

<sup>36</sup> 15 U.S.C. § 1127 (2012); *see also* *Sands, Taylor & Wood Co. v. Quaker Oats, Co.*, 978 F.2d 947, 955 (7th Cir. 1992).

<sup>37</sup> *See* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 17:5, 17:8 (5th ed. 2013) (hereinafter, “*McCarthy*”) (citation omitted) (“For want of a better term, the label ‘abandonment’ has been applied to a wide spectrum of activities of a trademark owner which have the net result of the mark losing its ability to serve as a symbol of origin and quality.”).

<sup>38</sup> *Gilson & Gilson LaLonde*, *supra* note 24.

In *General Motors Corp. v. Aristide & Co., Antiquaire de Marques*, the Trademark Trial and Appeal Board (hereinafter "T.T.A.B.") determined that General Motors had forfeited all its rights to the trademark LASALLE for automobiles.<sup>39</sup> The T.T.A.B. reasoned that "[m]erely because a party has used a mark a long time ago and it could use the mark in the future is not enough to avoid abandonment."<sup>40</sup>

Once a trademark has been legally abandoned, it resides in the public domain where a third party may rightfully recover it and seek to register it with the United States Patent and Trademark Office (hereinafter "U.S.P.T.O"),<sup>41</sup> such to lawfully use the brand.<sup>42</sup> Thus, a

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<sup>39</sup> *Gen. Motors Corp. v. Aristide & Co., Antiquaire de Marques*, 87 U.S.P.Q.2d 1179, 1182, 1187 (T.T.A.B. 2008) (citing *Silverman v. CBS Inc.*, 9 U.S.P.Q.2d 1778, 1783 (2d Cir. 1989)).

<sup>40</sup> *Silverman v. CBS Inc.*, 870 F.2d 40, 9 U.S.P.Q.2d 1778, 1783 (2d Cir. 1989).

<sup>41</sup> Trademark Act § 2(d), 15 U.S.C. § 1052(d) (2012) provides a basis to oppose a mark that "so resembles a mark registered in the Office, or a mark or trade name previously used in the United States by another *and not abandoned*, as to be likely, when used on or in connection with the goods or services of the defendant, to cause confusion, or to cause mistake, or to deceive." (emphasis added). The Act's § 2(a) prohibitions against "falsely suggest[ing] a connection with persons . . . institution . . ." can provide a separate basis to oppose registration of a mark in certain rare circumstances where the mark "points uniquely and unmistakably" to its former owner. *See, e.g.*, *Univ. of Notre Dame Du Lac v. J.C. Gourmet Food Imps. Co.*, 703 F.2d 1372, 1377 (Fed. Cir. 1983); *Boston Athletic Ass'n v. Velocity, LLC*, 117 U.S.P.Q.2d 1492, 1495 (T.T.A.B. 2015); *In re Kayser-Roth Corp.*, 29 U.S.P.Q.2d 1379, 1385 (T.T.A.B. 1993) (evidence showed that mark "Olympic Champion" for clothing did not point "uniquely and unmistakably" to U.S. Olympic Committee); *Ritz Hotel Ltd. v. Ritz Closet Seat Corp.*, 17 U.S.P.Q.2d 1466, 1471 (T.T.A.B. 1990) (evidence demonstrated that RIT-Z for toilet seats did not point uniquely to the Ritz Hotel); *Calvin Klein Indus. Inc. v. Calvins Pharm. Inc.*, 8 U.S.P.Q.2d 1269, 1272 (T.T.A.B. 1988) (evidence failed to establish that "Calvins" or "Calvin" was associated solely with designer Calvin Klein); *NASA v. Bully Hill Vineyards, Inc.*, 3 U.S.P.Q.2d 1671, 1676 (T.T.A.B. 1987)

party that successfully proves that a trademark has been abandoned is free to register and use that brand without any risk of liability for trademark infringement or unfair competition to the former trademark owner.<sup>43</sup> In *Cumulus Media, Inc. v. Clear Channel Communications, Inc.*, the

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(evidence showed that the term SPACE SHUTTLE did not point uniquely and unmistakably to NASA). The protection afforded a name or its equivalent under § 2(a) is acquired only when the name claimed to be registered points uniquely and unmistakably to the plaintiff's "persona," that is the unique personal or trade identity of the claimant. See *Buffett v. Chi-Chi's, Inc.*, 226 U.S.P.Q. 428, 429 (T.T.A.B. 1985).<sup>42</sup> *Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628, 629 (2d Cir. 1980); see also *Abdul-Jabbar v. Gen. Motors Corp.*, 85 F.3d 407, 411 (9th Cir. 1996) ("Rather than countenancing the 'removal' or retirement of the abandoned mark from commercial speech, trademark law allows it to be used by another."); *Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. P'ship*, 34 F.3d 410, 412 (7th Cir. 1994) ("When a mark is abandoned, it returns to the public domain, and is appropriable anew...."); *McCarthy* at §§ 17:1, 17:2 (An abandoned trademark may be seized immediately and the person doing so may build up rights against the whole world. If a trademark holder ceases using a mark with an intent not to resume its use, the mark is deemed abandoned and falls into the public domain and is free for all to use. Abandonment paves the way for future possession and property in any other person.).

<sup>43</sup> See *George & Co. LLC v. Imagination Entm't, Ltd.*, 575 F.3d 383, 400 (4th Cir. 2009) ("Once abandoned, a mark returns to the public domain and may, in principle, be appropriated for use by others in the marketplace..."); *Exxon Corp.*, 695 F.2d at 103-04 ("It would be incongruous to hold that Exxon had abandoned the mark, discontinued the mark with no intent to resume use, and thus that appellant had a right to use that mark because of Exxon's abandonment and then to hold that appellant had engaged in false designation or representation of origin."); *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F. Supp. 1339, 1355 (E.D.N.Y. 1994) ("Once abandoned, the mark reverts back to the public domain whereupon it may be appropriated by anyone who adopts the mark for his or her own use."); see also *See 1-3 ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 3.05[2]* (2016) ("A party may not rely on an abandoned mark to bring a trademark infringement claim because, as it is not in use, it is not a valid mark and cannot be infringed.").

United States Court of Appeals for the Eleventh Circuit (hereinafter “the Eleventh Circuit”) clearly held that “[a] defendant who successfully shows that a trademark plaintiff has abandoned a mark is free to use the mark without liability to the plaintiff.”<sup>44</sup>

The Lanham Act specifically defines trademark abandonment as the cessation of use of a trademark in commerce “with intent not to resume such use.”<sup>45</sup> The majority rule requires proof of trademark abandonment by “clear and convincing” evidence,<sup>46</sup> but many courts only require a “preponderance of the evidence.”<sup>47</sup> Proceedings before the T.T.A.B. apply the lesser preponderance of evidence standard.<sup>48</sup> “Trademark abandonment is a question of fact reviewed under the ‘clearly erroneous’ standard.”<sup>49</sup> Indeed, proof of the trademark owner’s non-use for three consecutive years is *prima facie* evidence of its intent to abandon, which the trademark owner must successfully rebut to overcome that presumption.<sup>50</sup>

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<sup>44</sup> *Cumulus Media, Inc. v. Clear Channel Commc’ns., Inc.*, 304 F.3d 1167, 1173 (11th Cir. 2002).

<sup>45</sup> 15 U.S.C. § 1127 (2012).

<sup>46</sup> *See, e.g., BeautyBank, Inc. v. Harvey Prince, LLP*, 10 Civ. 00955 (AJN), 2013 WL 11327097 at \*6 (S.D.N.Y. Mar. 29, 2013) (“Because it constitutes a forfeiture of a property right, abandonment of a mark must be proven by clear and convincing evidence.”); *see also Doeblers’ Pennsylvania Hybrids, Inc. v. Doeblner*, 442 F.3d 812, 822 (3d Cir. 2006), *as amended*, May 5, 2006 (claimant must “strictly” prove abandonment); *Cash Processing Servs. v. Ambient Entm’t, Inc.*, 418 F.Supp.2d 1227, 1231-32, (D. Nev. 2006) (the Ninth Circuit defines “strictly proved” as requiring clear and convincing evidence).

<sup>47</sup> *See, e.g., Edge Systems LLC v. Aguila*, 186 F. Supp. 3d 1330, 1347 (S.D. Fla. 2016) (“Defendants asserting an abandonment defense bear a “strict burden of proving abandonment by a preponderance of the evidence.”).

<sup>48</sup> *See Centrocamericana, S.A.*, 892 F.2d at 1024.

<sup>49</sup> *Burgess v. Gilman*, 316 Fed.Appx. 542, 543 (9th Cir. 2008).

<sup>50</sup> *Id.*

As with the *bona fide* use necessary to register a trademark in the first place, sufficient use to rebut the effects of the presumption of intent to abandon in this context means a *bona fide* use in the ordinary course of trade, and not made merely to reserve a right in the mark. Generally, the requirement that continued use be something more than token use means that financial consideration must be exchanged in an arms-length transaction with a consumer.<sup>51</sup>

As such, a mark is used in commerce on goods in the United States when “it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale.”<sup>52</sup> Similarly, a mark is used in conjunction with services “when it is used or displayed in the sale or advertising of services.”<sup>53</sup>

In every contested case, the former trademark owner denies having a specific intent to abandon and may try to resume using the mark to try to “cure” allegations of its past abandonment. However, trademark rights that are lost because of past abandonment are not revived by subsequent use.<sup>54</sup> Faced with accusations of intentional

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<sup>51</sup> Sporadic, casual, or *de minimis* uses not giving rise to trademark rights are unacceptable to prove *bona fide* use in commerce. See *Aycock Eng’g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1358 (Fed. Cir. 2009); *Int’l Healthcare Exch., Inc. v. Global Healthcare Exch., LLC*, 470 F. Supp. 2d 365, 369-371 (S.D.N.Y. 2007).

<sup>52</sup> 15 U.S.C. § 1127 (2012).

<sup>53</sup> *Id.*

<sup>54</sup> *Lesley Hornby v. TJX Cos., Inc.*, 87 U.S.P.Q.2d 1411, 1422 (T.T.A.B. 2008) (Sales made after a mark had been abandoned “would not retroactively cure [] past abandonment.”); see also *Stromgren Supports Inc. v. Bike Athletic Co.*, 43 U.S.P.Q.2d (BNA) 1100, 1112 (T.T.A.B. 1998) (evidence of intent to resume, which occurred after

abandonment, most former trademark owners will also assert that they had a generalized, inchoate desire to resume using the name at some point in the future.<sup>55</sup> But the Federal Circuit Court of Appeals has held that a prior trademark owner's self-serving, after-the-fact "proclamations of his intent to resume or commence use in United States commerce during the period of nonuse are awarded little, if any, weight."<sup>56</sup> The Eleventh Circuit observed that, "[i]ndeed, if all a party had to do to avoid a finding of abandonment was to aver that it never intended to abandon the trademark, then no trademark would ever be abandoned, no matter how long its use had been withdrawn from the market, or how inchoate and speculative any intention to resume its use."<sup>57</sup>

Thus, the former trademark owner's subjective intent to abandon or not to resume use must be inferred from objective facts taken from the alleged period of non-use.<sup>58</sup> A trademark registrant's failure to file Section 8 affidavits in the U.S.P.T.O. to keep its federal trademark

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abandonment, is only evidence of a possible new use which cannot cure the prior abandonment).

<sup>55</sup> *E.g., Vais Arms, Inc. v. Vais*, 383 F.3d 287, 294 (5th Cir. 2004) ("At most, [the mark owner's] affidavit establishes only his subjective, uncommunicated desire not to abandon the mark, without any indication of when or how he intended to resume its commercial use; it does not establish a genuine issue as to his intent to abandon."); *Emergency One, Inc. v. Am. FireEagle, Ltd.*, 228 F.3d 531, 537 (4th Cir. 2000) ("[T]he owner of a trademark cannot defeat an abandonment claim ... by simply asserting a vague, subjective intent to resume use of a mark at some unspecified future date.").

<sup>56</sup> *Rivard v. Linville*, 133 F.3d 1446, 1449 (Fed. Cir. 1998) (citing *Imperial Tobacco Ltd. v. Phillips Morris, Inc.*, 899 F.2d 1575, 1581 (Fed. Cir. 1990)).

<sup>57</sup> *Natural Answers, Inc. v. SmithKline Beecham Corp.*, 529 F.3d 1325, 1330 (11th Cir. 2008).

<sup>58</sup> 15 U.S.C. § 1127 ("Intent not to resume may be inferred from circumstances.").

registrations alive will lead to the cancellation and expiration of its federal trademark registrations.<sup>59</sup> Public announcements of discontinuing use of a brand can also be persuasive evidence of intent to abandon.<sup>60</sup>

### III. GOODWILL

There are at least three independent concepts conflated in the notion of “goodwill,” at least in the context of dormant brands:

1. Consumer awareness of the brand, or brand recognition;
2. Emotive reaction of a prospective consumer to the brand; and/or
3. Consumers’ memories of past anecdotal experiences with the brand.

These concepts can and do overlap, and there are certainly other cognitive and emotional measures of goodwill.<sup>61</sup> Consumers’ brand awareness and goodwill are complex, multifaceted, and multidimensional concepts.

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<sup>59</sup> 15 U.S.C. § 1058 (2010).

<sup>60</sup> *Hiland Potato Chip Co. v. Cullbro Snack Foods, Inc.*, 720 F.2d 981, 983 (8th Cir. 1983) (“A public announcement of intention to discontinue the sale of a product may be a circumstance from which intent not to resume may be inferred.” (citations omitted)); *see* *Intrawest Fin. Corp. v. W. Nat’l Bank*, 610 F. Supp. 950, 958 (D. Colo. 1985) (stating public statements announcing abandonment in the exclusive rights in the name along with no ongoing *bona fide* use in commerce amounts to a complete trademark abandonment despite parties’ posture in later litigation to the contrary); MCCARTHY, *supra* note 37, § 17:11 (“[A] public announcement that [a trademark] will no longer be used is persuasive evidence that the company has no intent to resume use of the trademark.”).

<sup>61</sup> *See, e.g.*, DAVID A. AKER, *MANAGING BRAND EQUITY: CAPITALIZING ON THE VALUE OF A BRAND NAME* 1–33 (The Free Press 1991); Paul Feldwick, *What is Brand Equity Anyway, and How Do You Measure It?*, 38 J. OF THE MKT. RES. SOC’TY 85, 85–104 (1996).

For example, Professor Chon writes that a well-known brand such as WHOLE FOODS “commingles the widely-accepted functions of trademark goodwill (that is, origin, quality/reputation, and marketing) with other possible functions, including the signaling of any relevant ethical sourcing or other corporate social responsibility . . . practices.”<sup>62</sup> Furthermore, the prevailing marketing emphasis on emotional links with the consumer rather than the provision of objectively verifiable information exacerbates this fuzzy signaling.<sup>63</sup>

If goodwill in marketing terms is viewed at the level of the relationships between the brands and customers, then it is typically defined in terms of customer attributes and behaviors, such as brand recognition levels, perceptions of brand quality, brand loyalty behavior, and/or brand images and associations (such as country of origin, etc.) that the customer attributes to the brand.<sup>64</sup> Of course, some of these attributes and behaviors can directly translate into financial performance (*e.g.*, brand loyalty) while others may have indirect effects (*e.g.*, images and associations).<sup>65</sup>

Similarly, goodwill as the term is used in trademark law is a tricky legal concept, and there is “no universal agreement on a definition” in general.<sup>66</sup> Accountants posit that residual goodwill equals the price paid for the acquired company minus the fair market value of its net identifiable

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<sup>62</sup> Margaret Chon, *Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility*, 21 LEWIS & CLARK L. REV. 277, 279 (2017).

<sup>63</sup> *Id.*

<sup>64</sup> See Bonghee Yoo & Naveen Donthu, *Developing and Validating a Multidimensional Consumer-Based Brand Equity Scale*, 52 J. OF BUS. RES. 1, 1–14 (2001).

<sup>65</sup> See Kevin L. Keller, *Conceptualizing, Measuring, and Managing Customer-Based Brand Equity*, 57 J. OF MARKETING 1, 1–22 (1993).

<sup>66</sup> WESTON ANSON, DONNA P. SUCHY & CHAITALI AHYA, *INTELLECTUAL PROPERTY VALUATION: A PRIMER FOR IDENTIFYING AND DETERMINING VALUE* 11–12 (2005).

assets.<sup>67</sup> Thus, trademarks are the primary intangible asset that drives the deal’s value above and beyond profits from sales and accounts receivable.<sup>68</sup>

Some courts have described goodwill as the “favor which the management of a business wins from the public, and the probability that old customers will continue their patronage and resort to the old place.”<sup>69</sup> Goodwill may simply be a “shorthand for the property right in the mark; a term for property that properly packs in consumer perception; the intangible assets gained when one company acquires another; or a measure of consumer perception independent of the mark owner’s property.”<sup>70</sup>

In its purest form, the goodwill inherent in any trademark represents the recognition the brand has with customers and the extra earning power that it generates, *i.e.*, consumers want to buy from that source, solely because they recognize the brand name as one that they prefer and trust over others. The difference between a customer’s desire to purchase the exact same widget from

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<sup>67</sup> THOMAS R. DYCKMAN, ROBERT P. MAGEE & GLENN M. PFEIFFER, *FINANCIAL ACCOUNTING* 368 (Cambridge Business Publishers 2011).

<sup>68</sup> See Robert F. Reilly and Robert P. Schweis, *Guide to Intangible Asset Valuation* 28 (AICPA, 2014).

<sup>69</sup> *Peter Luger Inc. v. Silver Star Meats Inc.*, No Civ.A.01-1557, 2002 WL 1870066, at \*12 (W.D. Pa. May 17, 2002).

<sup>70</sup> Linford, *supra* note 17, at 5 n.18; see also Elizabeth Cutter Bannon, *Revisiting “The Rational Basis of Trademark Protection”: Control of Quality and Dilution - Estranged Bedfellows?*, 24 JOHN MARSHALL L. REV. 65, 73–74 (1990) (“[Goodwill] exists in the minds of the buying public, where buyers trust the constancy of quality emanating from a particular producer. ‘Goodwill’ thus becomes ‘a business value that reflects the basic human propensity to continue doing business with a seller whose goods and services . . . the customer likes and has found adequate to fulfill his needs.’” (citations omitted)). As Professor Linford notes, “goodwill is built both on objective reasons (this soda is sweeter, this towel is more absorbent) and ‘emotional freight’ (self-image, fond memories).” Linford, *supra* note 17, at 6 n.18 (quoting Anne Fisher, *Coke’s Brand Loyalty Lesson*, FORTUNE, Aug. 5, 1985).

Company X rather than Company Y is the delta ( $\Delta$ ) between X-brand and Y-brand. In this article, I will use consumer goodwill to “indicate the value that consumers invest in the mark, *i.e.*, its value as a source signifier to reduce consumer search costs.”<sup>71</sup>

Technically, while a trademark exists separately from the goodwill associated with it, one cannot, however, be assigned without the other.<sup>72</sup> As is evident from the WHITE CLOUD case study discussed *infra*, the intentional abandonment of trademark rights thus extinguishes any *legally protectable* goodwill associated with that mark, but not necessarily all goodwill or lingering associations in the minds of consumers.

#### IV. NOTABLE DISPUTES INVOLVING REVIVAL OF DORMANT TRADEMARKS

The doctrine of “residual goodwill” in the context of a charge of trademark abandonment resurfaces frequently when dormant brands are revived.<sup>73</sup> While it has no statutory basis in the Lanham Act, many courts have been slow to accept its doctrinal irrelevance.<sup>74</sup> However, even if the unused trademark retains positive consumer sentiment and even association with its former owner, such

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<sup>71</sup> Linford, *supra* note 17, at 5–6 n.18.

<sup>72</sup> See *Mister Donut of Am., Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 842 (9th Cir. 1969) (“The law is well settled that there are no rights in a trademark alone . . .”); see also *Central Garden & Pet Co. v. Dorskocil Mfg. Co.*, 108 U.S.P.Q.2D (BNA) 1134, 1147 (T.T.A.B. 2013) (“Any transfer of a trademark must include the goodwill associated with the mark, because without goodwill, there is no trademark to transfer.”).

<sup>73</sup> See David S. Ruder, *The Fallacy of Trademark Residual Goodwill*, *GPSolo Magazine* (March 2004), [https://www.americanbar.org/newsletter/publications/gp\\_solo\\_magazine\\_home/gp\\_solo\\_magazine\\_index/tmresidualgoodwill.html](https://www.americanbar.org/newsletter/publications/gp_solo_magazine_home/gp_solo_magazine_index/tmresidualgoodwill.html) [<https://perma.cc/QP34-GZ7B>].

<sup>74</sup> See Roberta Jacobs-Meadway, *supra* note 7, at 144.

“residual goodwill” provides no basis in current statutory trademark law to prevent use by a new owner. Legal trademark rights are currently determined solely by continued *bona fide* use in commerce, not brand recognition, fond memories or nostalgia.<sup>75</sup>

In *Exxon Corp. v. Humble Expl. Co.*, the U.S. District Court that first coined the term “a dormant trademark” held that residual goodwill has absolutely no effect on abandonment under the Lanham Act.<sup>76</sup> If the former owner ceases all use and has no clear and proven intent to resume the mark, it loses all of its rights—even if there is enormous built-up goodwill in the mark.<sup>77</sup>

The more commonly held view, as viewed by many federal district courts, but not currently espoused in the Lanham Act, is that residual goodwill is a relevant factor to be considered in determining whether there has been abandonment.<sup>78</sup> Where there is persisting goodwill, these courts find that such persistence should weigh heavily against a finding of abandonment, but only so long as there is some evidence of intent to resume use.<sup>79</sup> Thus, the concept of residual goodwill folds, even if not neatly, into an analysis of the former owners’ disputed intent to abandon.

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<sup>75</sup> See, e.g., *Metro. Life Ins. Co. v. O’M & Assoc., LLC*, No. 06 C 5812, 2009 WL 3015210, at \*4-5 (N.D. Ill. Sept. 16, 2009) (finding plaintiff’s abandonment of trademark under the Lanham Act, despite existence of residual goodwill); but see Apostolos Chronopoulos, *Goodwill Appropriation as a Distinct Theory of Trademark Liability: A Study on the Misappropriation Rationale in Trademark and Unfair Competition Law*, 22 TEX. INTELL. PROP. L.J. 253, 303 (2014).

<sup>76</sup> See generally *Humble Expl. Co.*, 524 F. Supp at 461.

<sup>77</sup> See *infra*, Section VII.A.2.

<sup>78</sup> See Milton Springut, *Macy’s Case Highlights Issues of Trademark Abandonment*, 253 N.Y.L.J. 89 (2015).

<sup>79</sup> See *infra*, Section VII.C.

A. *The Second Circuit's Evolution*

1. **Defiance Button Mach. Co. v. C&C Metal Prods. Corp.**

In 1985, the United States Court of Appeals for the Second Circuit (hereinafter "the Second Circuit") held that the existence of residual goodwill, coupled with the owner's continued good faith intent to resume use of the mark, could avoid a charge of abandonment.<sup>80</sup> Specifically, in *Defiance Button Mach. Co. v. C&C Metal Prods. Corp.*, the Second Circuit held that "a company's cessation of business" did not "automatically and immediately terminate its rights to a mark": "[G]oodwill does not ordinarily disappear or completely lose its value completely overnight. Erosion from non-use is a gradual process. As long as the mark has significant remaining value *and the owner intends to use it in connection with substantially the same business or service*, the public is not deceived".<sup>81</sup>

In the above case, the District Court found that although the plaintiff had ceased manufacturing operations, it planned to resume its business at a future date.<sup>82</sup> In addition, while it had ceased operations, it had received an offer of \$10,000 for the trademark and its associated goodwill, which led the Court to conclude that the mark in fact retained its goodwill and significance as a signifier of origin.<sup>83</sup> Thus, residual goodwill was deemed at least relevant to the analysis of the owner's purported intent to resume use.<sup>84</sup>

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<sup>80</sup> *Defiance Button Mach. Co. v. C & C Metal Prod. Corp.*, 759 F.2d 1053, 1060 (2d Cir. 1985).

<sup>81</sup> *Id.* (emphasis added)

<sup>82</sup> *Id.* at 1056.

<sup>83</sup> *Id.* at 1057.

<sup>84</sup> *Id.* at 1061.

## 2. **J.G. Stickley, Inc. v. Canal Dover Furniture Co., Inc.**

The Second Circuit's more recent ruling in *J.G. Stickley, Inc. v. Canal Dover Furniture Co., Inc.* in 1996 arguably clarified the doctrine of trademark abandonment, and as such removed the relevance of residual goodwill entirely.<sup>85</sup> The Court dismissed legal arguments based on residual goodwill and ongoing association as thoroughly unpersuasive under the Lanham Act.<sup>86</sup>

Gustav Stickley's furniture designs were still famous as his own, despite having been discontinued by Stickley in the 1920's.<sup>87</sup> During the 69 intervening years, the Stickley Estate had instead manufactured boat hulls and other products.<sup>88</sup> The furniture designs at issue were reintroduced in 1989 by the Stickley Estate, L & J.G. Stickley, which claimed that the trade dress<sup>89</sup> of the designs continued to function as a trademark.

The Second Circuit ruled: "Here, the designs of Gustav Stickley were not produced from the early 1920s until 1989."<sup>90</sup> In the parlance of registered trademark cancellation law, L. & J.G. Stickley abandoned its trade dress during this period.<sup>91</sup> The over sixty years of non-use of the trade dress, during which time L. & J.G. Stickley manufactured boat hulls and early American reproductions, extinguished any rights L. & J.G. Stickley had in the

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<sup>85</sup> *L. & J.G. Stickley, Inc. v. Canal Dover Furniture Co.*, 79 F.3d 258, 263–64 (2d Cir. 1996).

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) ("[Trade dress] 'involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics or even certain sales techniques.'" (quoting *John H. Harland Co. v. Clarke Checks, Inc.*, 771 F.2d 966, 980 (11th Cir. 1983)).

<sup>90</sup> *See L. & J.G. Stickley, Inc.*, 79 F.3d at 264.

<sup>91</sup> *Id.*

Gustav Stickley designs. Although L. & J.G. Stickley resumed use of the trade dress in 1989 when it began to “reissue” the Gustav Stickley furniture designs, L. & J.G. Stickley was not entitled to benefit from any use of the trade dress prior to 1989.”<sup>92</sup> Thus, the Second Circuit refused to give the Stickley Estate any benefit from residual goodwill, even if there undoubtedly remained a strong positive association in the minds of consumers between Gustav Stickley and his famous furniture designs.<sup>93</sup>

There are two ways to view the evolution from *Defiance Button* to *J.G. Stickley*: (1) the difference had to do with the amount of time that had elapsed since the alleged abandonment as well as the facts of the case; or (2) the Second Circuit is moving toward a stricter statutory view, namely, that residual goodwill does not exist in the Lanham Act, and therefore the doctrine is legally and functionally irrelevant to an abandonment analysis, regardless of the former owner’s intent to resume use.

### ***B. Automobili E Corse v. McBurnie***

Several other cases reveal that district court judges still often struggle with strictly applying the statutory law of trademark abandonment.

For example, in *Automobili E Corse v. McBurnie*, Ferrari asserted trade dress rights in the appearance of its 365 GTB/4 DAYTONA SPYDER.<sup>94</sup> Ferrari had admittedly not manufactured the distinctive car design for over 15 years, and had no concrete plans to resume making such cars again.<sup>95</sup> The Court, nonetheless found that the trade dress in the shape of the sports car was not abandoned

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<sup>92</sup> *Id.*

<sup>93</sup> *Id.* at 265.

<sup>94</sup> *Automobili E Corse v. McBurnie*, 11 U.S.P.Q.2d 1843 (S.D. Cal. 1989).

<sup>95</sup> *Id.* at 1845.

by Ferrari for two reasons: (1) Ferrari continued to supply parts and service to the cars; and (2) the DAYTONA SPYDER design was deemed strongly and positively associated with Ferrari.<sup>96</sup> However, the fact that Ferrari continued to supply parts was not sufficient to wholly rebut its intent to abandon the car’s overall design.<sup>97</sup> Instead, the District Court expressly relied upon evidence that the design retained both residual goodwill and association with Ferrari as its manufacturer as relevant to the analysis of abandonment.<sup>98</sup>

### C. *Macy’s Inc. et al. v. Strategic Marks, LLC*

More recently, in 2011, Macy’s sued Strategic Marks in a Los Angeles district court after Strategic started selling t-shirts with the logos of eight department stores that had previously closed, including Filene’s, Abraham & Straus, and Bullock’s.<sup>99</sup> In 2015, Strategic added 12 new banners, including Marshall Field’s, Lazarus, and Kaufmann’s, to its t-shirt offerings at [www.retrodepartmentstores.com](http://www.retrodepartmentstores.com).<sup>100</sup>

Macy’s argued that it was still using these names in its online “heritage shop,” which offers t-shirts and shopping bags with its old department store names.<sup>101</sup> Macy’s won a partial summary judgment that affirmed its right to control eight banners: Marshall Fields; I. Magnin, Burdines; Kaufmann’s; Lazarus, Meier & Frank; Rich’s; and Strawbridge’s.<sup>102</sup> Addressing the suggestion of abandonment of these store brands in dicta, U.S. District

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<sup>96</sup> *Id.* at 1851-2.

<sup>97</sup> *Id.*

<sup>98</sup> *Id.* at 1849.

<sup>99</sup> *Macy’s Inc. v. Strategic Marks, LLC*, 11-CV-06198-EMC, 2016 WL 374147, at \*1 (N.D. Cal. Feb. 1, 2016).

<sup>100</sup> *Id.*

<sup>101</sup> *Id.* at \*3.

<sup>102</sup> *Id.* at \*1, \*9.

Judge Edward Chen of San Francisco wrote “simply because a store has ceased operations does not mean that its proprietor or owner does not maintain a valid interest in the registered trademark of the business. A trademark can still exist and be owned even after a store closes.”<sup>103</sup>

## V. CRITICISMS OF BRAND REVIVAL

The United States Court of Appeals for the Seventh Circuit (hereinafter “the Seventh Circuit”) has articulated the economic policy goal relating to recycling brands is centered on the public’s interest to enjoy a robust competitive marketplace.<sup>104</sup>

The aim is to strike a balance between, on the one hand, the interest of the seller of the new product, and of the consuming public, in an arresting, attractive, and informative name that will enable the new product to compete effectively against existing ones, and, on the other hand, the interest of existing sellers, and again of the consuming public, in consumers’ being able to know exactly what they are buying without having to incur substantial costs of investigation or inquiry.<sup>105</sup>

However, some commentators and observers have argued that the consumer is effectively deceived by *any* revival of a dormant trademark, if the mark still has residual goodwill *or* any lingering association.<sup>106</sup> They

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<sup>103</sup> *Id.* at \*5.

<sup>104</sup> *Indianapolis Colts, Inc. v. Metro. Balt. Football Club Ltd.*, 34 F.3d 410, 413 (7th Cir. 1994).

<sup>105</sup> *Id.* at 414.

<sup>106</sup> *See, e.g.,* Linford, *supra* note 17; *but see* Rebecca Tushnet, *Why the Customer Isn’t Always Right: Producer-Based Limits on Rights Accretion in Trademark*, 116 *YALE L.J. POCKET PART* 352, 355 (2007) (arguing that the abandonment mechanism “prioritizes free competition over avoiding consumer confusion. The goal is not to protect consumers, but to create bright lines so that producers will know what marks are free to use.”).

further argue that, if a consumer associates the newly-revived mark with positive experiences that he had with the former owner’s product or services, he will be in for a predictable disappointment if the new product or service marketed under the brand is inferior.<sup>107</sup> In other words, if the revived trademark is perceived as the “same” as the previous one that the consumer recalls, the s/he will (at least at first) make an erroneous purchasing decision in reliance on that incorrect assumption.<sup>108</sup>

But is it not always the case whenever a trademark is assigned or sold to a new company that consumers may be disappointed with its successor? Trademarks are not intended as a guarantee that products manufactured and sold under a brand are always of consistent quality, even when they are owned and produced by the same company.<sup>109</sup> What is protected by law is the consumer’s ability to lower her search costs when searching for the product or service that she wants in the marketplace.<sup>110</sup> The law does not guarantee (nor could it) that a product sold 30 or 40 years from now will be of the same quality as the currently-branded product.<sup>111</sup> Plus, newly-minted products sold under a dormant brand can be superior to their vintage predecessors. Therefore, a consumer can make up his or her mind going forward, based on that new information.

Further, some commentators and courts, perhaps motivated by a misguided concern for perceived misappropriation of the hard work of the prior trademark

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<sup>107</sup> See Linford, *supra* note 17, at 1; see generally Walker, *supra* note 10.

<sup>108</sup> *Id.*

<sup>109</sup> See Dana Thomas, *How Luxury Lost Its Luster* (Penguin: 2007) 200-204 (discussing how European luxury brands try to cut costs by using cheaper materials and Chinese labor but maintain prestige).

<sup>110</sup> See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265 (1987).

<sup>111</sup> See Thomas, *supra* note 109.

owner, might find that their sympathy lies with him, and not the party seeking to recapture and reinvent the brand.<sup>112</sup> As Judge Chen wrote in dicta: “[s]imply because a store has ceased operations does not mean that its proprietor or owner does not maintain a valid interest in the registered trademark of the business.”<sup>113</sup> Of course, that concept is not embodied in the Lanham Act. Some critics of reviving brands also argue that such value only exists at all because of the reputation and hard work invested by the prior trademark owner.<sup>114</sup> That observation is technically true, but legally irrelevant if the prior trademark owner has forfeited his legal right to control the mark’s use by others.<sup>115</sup>

Despite the fact that neither protecting residual goodwill or defending any lingering association has a basis in current statutory trademark law, there are vocal defenders of legislating such concepts into existence. For example, Professor Linford has gone so far as to propose an entirely new regime under which an abandoned trademark can be auctioned by the U.S. Trademark Office off to the highest bidder in a public auction with secret bidding, regardless of whether the mark is being used in commerce or not.<sup>116</sup> In so doing, he proposes that the party that values the remaining goodwill most will bid to purchase abandoned trademark.<sup>117</sup>

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<sup>112</sup> *But see* Feist Publ’ns, Inc. v. Rural Tel. Ser. Co., 499 U.S. 340, 359–360 (1991) (rejecting “sweat of the brow” doctrine for copyright protection).

<sup>113</sup> Macy’s Inc., 11-CV-06198-EMC, 2016 WL 374147, at \*5.

<sup>114</sup> *See* Gilson & Gilson LaLonde, *supra* note 24 at 1280.

<sup>115</sup> *See* Stickley, *supra* note 85.

<sup>116</sup> Linford, *supra* note 17, at 49.

<sup>117</sup> *Id.*

## VI. MEASURING VALUE IN DORMANT BRANDS

Commentators and scholars have explored how to best measure the commercial value of specific dormant brands. For example, Fischer and Schollmayer proposed defining the brand value according to a multiplier approach using current market data.<sup>118</sup> In an empirical implementation, the German authors attempted to determine the value of the dormant German brand NIXDORF COMPUTERS, which was taken off the market in 1999.<sup>119</sup> They calculated a financial value concerning a hypothetical re-launch of the defunct brand in the German laptop market.<sup>120</sup>

Alternatively, the “perception perspective” suggests that brand equity can be measured by any of multiple cognitive measures, such as: customer satisfaction and loyalty; perceived quality; brand personality; organizational associations; brand awareness; differentiation; personal relevance; and innovativeness.<sup>121</sup> Others have proposed more abstract and less empirical methods.<sup>122</sup>

In this article, the author examines two different case studies, and proposes a straightforward empirical model to measure existing goodwill in a dormant brand, as compared to a wholly new brand. With that empirical data, we can seek to extrapolate and attempt to reach a consensus on an economic valuation to the benefit (if any) that inheres in the dormant brand.

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<sup>118</sup> Marc Fischer & Thomas Schollmayer, *A Method to Measure the Financial Value of Dormant Brands (Ein Ansatz zur Messung des finanziellen Wertes versunkener Marken)*, *Zeitschrift für betriebswirtschaftliche Forschung*, 62 (September), 598-624.

<sup>119</sup> *Id.*

<sup>120</sup> *Id.*

<sup>121</sup> See AKER, *supra* note 61, at 16–17.

<sup>122</sup> See, e.g., Justin Anderson, *Measuring the Financial Value of Brand Equity: The Perpetuity Perspective*, 10 J. OF BUS. ADMIN. ONLINE 1 (2011).

**A. Case Study #1: WHITE CLOUD**

The classic example of a trademark that was recaptured and successfully revived immediately after its legal abandonment is WHITE CLOUD-brand toilet paper.<sup>123</sup> Procter & Gamble ("P&G") first used "WHITE CLOUD" in commerce, in connection with toilet paper on March 31, 1915.<sup>124</sup> In 1934, P&G first applied for a federal trademark registration on a "WHITE CLOUD" logo which issued in October 1934.<sup>125</sup>

On May 6, 1993, after 78 years of continuous use, all use of WHITE CLOUD was publicly "discontinued" by P&G.<sup>126</sup> White Cloud toilet paper, with five percent of the bathroom tissue market, had been P&G's second-largest-selling brand in that market, behind Charmin.<sup>127</sup> Even so, it lagged behind brands like Northern, made by the James River Corporation, with an estimated 13 percent of the market, and Charmin, the leader, with an estimated 20 percent share.<sup>128</sup>

A few months later, on August 30, 1993, Carewell Industries (hereinafter "Carewell") filed an Intent-to-Use application for the WHITE CLOUD word trademark to be used in connection with toilet paper.<sup>129</sup> Carewell's new application was initially refused by the USPTO Examiner, on the basis that there were still a number of active

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<sup>123</sup> See RUDER, *supra* note 13; see also John Schmeltzer, *Reviving the Past*, CHICAGO TRIBUNE, May 2, 2006.

<sup>124</sup> See WHITE CLOUD, Registration No. 318,626.

<sup>125</sup> *Id.*

<sup>126</sup> See Stuart Elliott, *P. & G. Sacrifices White Cloud in Battle of Brands*, N.Y. TIMES, May 6, 1993 ("The disappearance of White Cloud has already begun.").

<sup>127</sup> *Id.*

<sup>128</sup> *Id.*

<sup>129</sup> See U.S. Trademark Application Serial No. 74/430, 212 (filed Aug. 30, 1993).

registrations on the Principal Trademark Register owned by P&G. Carewell appealed to the T.T.A.B.<sup>130</sup>

However, that appeal was later suspended, because in May and June 1995, Carewell’s lawyers commenced formal Cancellation Proceedings in the T.T.A.B., seeking to affirmatively cancel all of P&G’s remaining trademarks for WHITE CLOUD, on the basis that P&G was not clearly using the mark in commerce any longer.<sup>131</sup> Carewell’s petition accused P&G of not being able to prove that it has used the marks since May 1993, thus forfeiting the marks through intentional abandonment resulting from evidence of non-use.<sup>132</sup>

P&G did not serve or file an answer to Carewell’s Petition for Cancellation. On October 18, 1995, P&G was given 20 days by the T.T.A.B. to show cause why the entire WHITE CLOUD portfolio of trademark registrations should not be cancelled as a result of the alleged abandonment.<sup>133</sup> P&G failed to respond to the T.T.A.B.’s Order to Show Cause.<sup>134</sup>

On April 1, 1996, the T.T.A.B. ordered cancellation of all P&G’s federal trademark registrations for WHITE CLOUD. On June 10, 1997, the new federal trademark registration for WHITE CLOUD in connection with toilet paper was finally issued to Carewell, it’s new owner.<sup>135</sup> P&G would now be forced to compete with the same brand that it created, on the same store shelves at Wal-Mart.

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<sup>130</sup> *Ex Parte* TTAB Appeal No. 430205

<sup>131</sup> T.T.A.B. Cancellation Proceeding No. 92023901.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.*, Docket #4.

<sup>134</sup> *Id.*, Docket #5.

<sup>135</sup> *See* WHITE CLOUD, Registration No. 2070125.

**B. Conclusions Drawn from Case Study #1**

We cannot retroactively conduct a survey to measure either brand recognition or consumer goodwill in WHITE CLOUD 20 years ago. Such a survey contemporaneous with the abandonment of the mark would have sought to assess the economic value inherent in Carewell's recaptured WHITE CLOUD trademark portfolio at the time it was acquired in 1998. We also cannot know how a newly-named toilet tissue would have fared, under the identical circumstances. Therefore, there are significant limitations to using this case study empirically.

However, we can anecdotally consider the fact that P&G spent \$7.7 million to advertise WHITE CLOUD in 1992, and \$2.1 million in 1991.<sup>136</sup> In the first quarter of 1993—the last quarter that P&G sold products branded as WHITE CLOUD—it had sales of \$312.5 million.<sup>137</sup> Based on this information, we can readily conclude that the WHITE CLOUD portfolio was somewhat valuable in 1993, as P&G spent \$7.7 million to advertise the brand in the previous year, and achieved \$312.5 million in sales that year.<sup>138</sup>

By 2008, a decade after it was reintroduced, its new manufacturer logged \$600 million in sales of its WHITE CLOUD-branded toilet paper.<sup>139</sup> Thus, the new owner was apparently able to pick up where P&G left off, and double sales within a decade.<sup>140</sup> It is unknown and unknowable whether a newly-named toilet tissue would have fared as well during the same period.

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<sup>136</sup> See Elliott, *supra* note 126.

<sup>137</sup> *Id.*

<sup>138</sup> *Id.*

<sup>139</sup> See Schmeltzer, *supra* note 123.

<sup>140</sup> *Id.*

It becomes even more difficult to assess the portfolio's economic value in 1998, when WHITE CLOUD was subsequently relaunched, even though we now know that in the ensuing 10 years, its new owner was able to successfully capitalize on it.<sup>141</sup> It would have been helpful to have conducted a consumer survey designed to measure the brand's value in 1998, as consumer surveys are often used to evaluate levels and types of consumer-based brand awareness and evaluate degrees of recognition, as well as goodwill.<sup>142</sup>

It may be worth noting that P&G had for nearly eight decades used the WHITE CLOUD brand for toilet paper before deciding to consolidate its marketing activities under CHARMIN. As there was a good commercial reason for abandoning the WHITE CLOUD trademark, specifically, this reason was in favor of efficiency gains. P&G benefited from the business decision, at least in the short term. Many large conglomerates ultimately choose to totally abandon flagging products in part because the benefits of having all their products in a category marketed under a single, more famous brand significantly outweighs the costs of maintaining products under multiple trademarks. However, P&G could have maintained a relatively small production of WHITE CLOUD toilet paper for relatively minimal cost and continued to own its trademark registrations for WHITE CLOUD, thus

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<sup>141</sup> See Ruder, *supra*, note 13.

<sup>142</sup> See Terry Hanningon, *HOW TO MEASURE AND MANAGE YOUR CORPORATE REPUTATION* 45 (Gower Publ'g 2012) (discussing questionnaires and methodology used to measure brand reputation and goodwill); see also PAUL P. BIEMER, ROBERT M. GROVES ET AL., *MEASUREMENT ERRORS IN SURVEYS* 116 (John Wiley & Sons, Inc., Publ'n 2011) (discussing methodology used in surveys to measure brand goodwill); see also Walfried Lassar, Banwari Mittal & Arun Sharma, *Measuring customer-based brand equity*, 12 J. OF CONSUMER MARKETING 11, 11–19 (1995) (discussing consumer-based brand equity scale measured with a survey).

preventing total abandonment.<sup>143</sup> At a later date, P&G could have chosen to divest the WHITE CLOUD portfolio through an ordinary sale, and would have recaptured at least some of its investment.

Furthermore, P&G evidently did not anticipate that an entrepreneur such as Carewell, would have filed to acquire the WHITE CLOUD portfolio so soon after the abandonment. Of course, even if Carewell had not filed, any other competitor could have done so.

### C. Case Study #2: *CIRCUIT CITY*

To empirically evaluate the goodwill in the context of a currently dormant brand, the Author chose to conduct a consumer survey regarding the dormant trademark *CIRCUIT CITY*.<sup>144</sup> Circuit City was an American multinational consumer electronics company founded in 1949 by Samuel Wurtzel, as the Wards Company.<sup>145</sup> It pioneered the electronics superstore format

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<sup>143</sup> P&G would have had to engage in actual *bona fide* use in commerce of the WHITE CLOUD brand to avoid a charge of abandonment. See *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1051 (9th Cir. 1999) (“[M]ere registration and use of a domain name was not sufficient to constitute commercial use for purposes of the Lanham Act[.]”); see also *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996) (“Registration of a trade[mark] as a domain name, without more, is not a commercial use of the trademark . . .”).

<sup>144</sup> The author has no financial interest in the *CIRCUIT CITY* trademark and does not represent or advise any of the parties involved in acquiring or reviving that brand.

<sup>145</sup> Rodd Wagner, ‘Undead’ *Circuit City Won’t Rise If It Forgets What Killed It*, *FORBES*, (Nov. 22, 2016, 4:24 PM) <https://www.forbes.com/sites/roddwagner/2016/11/22/undead-circuit-city-wont-rise-if-it-forgets-what-killed-it/2/#2662c5fc63f3> [<https://perma.cc/MP6X-5N56>]; *CIRCUIT CITY*, <http://circuitcitycorporation.com> (last visited Nov. 18, 2017) [<https://perma.cc/Q7KC-RKC6>]. See *Good to Great to Gone*, *ECONOMIST* (July 7, 2009) (“As he readily admits, several of the firms

in the 1970's.<sup>146</sup> “From 1982 to 1997, Circuit City’s stock did 18.5 times better than the overall market, the best 15-year return of any public company.”<sup>147</sup> “It was featured in the bestselling book *Good to Great* as one of 11 exemplary organizations that showed ‘why some companies make the leap and others don’t.’”<sup>148</sup> However, it shut its doors in early 2009, due to the recession and facing fierce competition.<sup>149</sup>

In 2009, Circuit City, with U.S. bankruptcy court approval, converted its Chapter 11 bankruptcy reorganization plan to Chapter 7 liquidation, and started airing “going out of business” television commercials, as it began closing all of its retail stores.<sup>150</sup> The final day of operations for all Circuit City retail stores was March 8, 2009.<sup>151</sup> Its website stated: “Circuit City would like to thank the millions of customers who have shopped with us during the past 60 years. Unfortunately, we announced on January 16, 2009, that we are going out of business.” The brand has not been widely used in connection with retail stores for approximately eight years.

The Circuit City brand name therefore constitutes a “dormant brand,” inasmuch as the former owner publicly ceased use, liquidated all assets (including its trademarks) through bankruptcy, and its new owner has not resumed widespread active commercial use of the brand.<sup>152</sup>

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praised in his bestsellers, ‘Built to Last’ and ‘Good to Great’, have since fallen from grace. These include Circuit City, a now-bankrupt electronics retailer . . .”).

<sup>146</sup> See *CIRCUIT CITY* *supra* note 145.

<sup>147</sup> Wagner *supra* note 145.

<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> Associated Press, “Circuit City closes its doors for good,” March 8, 2009.

<sup>151</sup> *Id.*

<sup>152</sup> Wagner, *supra* note 145 (“The Circuit City brand got sold in the liquidation, and then sold again. The company most people knew is

However, unlike the now-forgotten Schickel Motorcycles, the CIRCUIT CITY brand may continue to retain consumer recognition and perhaps even goodwill.<sup>153</sup> Thus, it presents the ideal laboratory to study a dormant brand, as the brand has ceased being used, and has not been commercially re-launched, yet.<sup>154</sup>

### 1. Survey Methodology

The sole purpose of the survey was to gain insight into the reaction of 404 individual respondents when each was presented with a specific resurrection of this particular dormant brand. First, each individual respondent was presented with the name "CIRCUIT CITY" in connection with a hypothetical new retail electronics store, and asked to self-report his or her feelings, or emotions, ranging from strongly positive to strongly negative. Further, as a form of control, we exposed 401 different respondents in the same

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long dead. But the brand is still technically alive in an undead sort of way. The website Consumerist calls the phenomenon 'zombie retail.'").

<sup>153</sup> Anderson, *supra* note 22.

<sup>154</sup> Wagner, *supra* note 145 ("The website *circuitcity.com* still exists. It redirects to *circuitcitycorporation.com*, which promises a Phoenix-like reemergence of the storied brand.") CIRCUIT CITY, <http://circuitcitycorporation.com> (last visited Nov. 18, 2017) ("Under new ownership," says the site, "Circuit City will once again become a household name by reconnecting to its roots utilizing modern technology to create an omni-channel shopping experience to offer customers the best way to shop, both online and in person."). Its current owner is "taking his time to get it right." TWICE, Circuit City Update: 'Taking Our Time To Get It Right', Tweaking store design, prepping e-commerce site, (June 20, 2016), <https://www.twice.com/retailing/circuit-city-update-taking-our-time-get-it-right-61941> [<https://perma.cc/U2V6-SU9T>]; *see also* Sarah Whitten, Circuit City is Back from the Dead, Again, CNBC, (January 28, 2016, 8:22 AM), <https://www.cnbc.com/2016/01/28/circuit-city-is-back-from-the-dead-again.html> [<https://perma.cc/3C4E-BERH>]. As of the date of this article, no Circuit City retail stores exist and the website is not actively engaging in the sale of electronics yet.

demographic pool with a fictional brand linguistically similar to CIRCUIT CITY, namely: “TECH TOWN.”<sup>155</sup> The survey was not focused on the respondent’s “beliefs,” as general consumer goodwill toward a dormant brand can be considered emotive as well as rational.<sup>156</sup>

This study was designed and conducted in general accordance with the seven-factor framework cited in the Federal Judicial Center’s *Manual for Complex Litigation*, and with the greater amplification of this framework provided in the FJC’s “Reference Guide on Survey Research.”<sup>157</sup> Also considered in the design of this study were the implications of the Supreme Court’s opinion in *Daubert v. Merrell Dow*<sup>158</sup> and successor rulings.

The seven factors from the *Manual for Complex Litigation* are quoted verbatim below.<sup>159</sup>

1. The population was properly chosen and defined;

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<sup>155</sup> “TechTown” is the name of an urban research and technology business park in Detroit that is part of the Wayne State University system. It is also registered as a trademark by an individual, used in connection with a “learning center” for underprivileged youth in Tennessee. TECHTOWN, <https://techtowndetroit.org> (last visited Nov. 26 2017); TECHTOWN, <https://gotectown.org/about/purpose> [<https://perma.cc/HEV8-YSSM>] (last visited Nov. 26, 2017). However, there should be no measurable impact on the validity of this term as a control in this survey and in this context, based on these limited uses outside of the relevant scope.

<sup>156</sup> See Amir H. Khoury, *Brand Loyalty & Loyalty of Brands: A Symbiotic Relationship*, 32 J. OF L. & COM., 173 (2014) (discussing the complexity of brand loyalty and buyer motivations as both emotionally and rationally driven).

<sup>157</sup> Manual for Complex Litigation (Fourth) § 11.493 (2004).

<sup>158</sup> *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993).

<sup>159</sup> The order in which these factors are cited departs from the original to more closely track the sequence of activities that typically occurs during the survey research process. This departure from the order in which these factors are described has no effect on the design, conduct, findings, accuracy or reliability of the survey.

2. The sample chosen was representative of that population;
3. The questions asked were clear and not leading;
4. The survey was conducted by qualified people following proper interviewing procedures;
5. The data gathered were accurately reported;
6. The data were analyzed in accordance with accepted statistical principles;
7. The process was conducted so as to ensure objectivity.

The manner in which the seven *Manual for Complex Litigation* factors were generally applied in the current investigation are discussed below.

## 2. The Relevant Universe

To be useful, any study needs to focus on the appropriate respondents, namely, those consumers whose states of mind are relevant. The purpose of this particular study was to determine the significance of the CIRCUIT CITY trademark in the minds of the general public located in the overlapping geography of the prior user of that trademark and the prospective new user of that mark. Accordingly, the principal universe was defined as: (1) males and females; (2) age 18 to 100+; and<sup>160</sup> who are (3) currently living in the continental United States.

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<sup>160</sup> While individuals aged 17 and under purchase electronics, these purchases are often made by their parents. The focus here is on the decision-makers in the purchasing process. More importantly, according to survey industry standards, interviewing such individuals technically requires parental consent. As obtaining such consent without divulging the survey's objective was seen as being problematic, the universe definition began with individuals age 18 and over.

### 3. The Sampling Plan

Respondents were recruited from within Survey Monkey's online membership roster. Survey Monkey independently drew panelists using age, gender, and geographic census region information following distributions matching the most recent, full (2010) United States Census.

A total of 805 respondents were included in the survey: 404 in Phase I (CIRCUIT CITY) and 401 in Phase II (TECH TOWN). A sample size in excess of 400 randomly selected individuals from within the continental United States yields statistically significant results at the .05 confidence level.<sup>161</sup>

### 4. Questionnaires

Questionnaires typically used in consumer surveys generally have two components, a screener portion and a main portion. The principal objectives of the screener portion are (a) to ensure that interviews are conducted only with individuals who satisfy the universe definition; and (b) to identify and eliminate from further consideration atypical members of the universe, that is, individuals who might be unusually sensitive to either the marketing/advertising survey research process or to the particular subject matter. The purpose of the main questionnaire is to ask the questions of substantive interest to those who remain. Here, the general public was surveyed, thus no specific screener questionnaire was applied, apart from the basic demographic principles discussed above. Questions presented were straightforward and not leading.

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<sup>161</sup> A sample size of 400 gives a statistical accuracy of  $\pm 5\%$  and is often thought of as the most cost-effective sample size for measuring the general populace. See MICHAEL ORNSTEIN, *A COMPANION TO SURVEY RESEARCH* 87 (2013).

## **5. Interviewers and Double-Blind Interviewing**

As the questionnaire was self-administered over the Internet, there were no human interviewers and no need for double-blind interviewing. It was sufficient to have the respondents blinded to both the sponsor and purpose of the research.

## **6. Implementation Period**

Phase One: Respondents began participating in the CIRCUIT CITY phase of the survey on April 24, 2017. Participation ended on April 25, 2017. A total of 404 respondents were questioned, and all responses tabulated and included in this phase of the study.

Phase Two: Respondents began participating in the TECH TOWN phase of the survey on May 10, 2017. Participation ended on May 11, 2017. A total of 401 respondents were questioned, and all responses tabulated and included in this phase of the study.

## **7. Text of Questionnaire:**

The questionnaire in each phase began as follows:

Q1. What is your gender?

Female

Male

Q2. What is your age?

18-24

25-34

35-44

45-54

55-64

65-74

75 or older

Q3. How do you feel about a new retail electronics store named CIRCUIT CITY?

- Strongly Positive
- Slightly Positive
- Neutral/No Feelings
- Slightly Negative
- Strongly Negative

Q4. Upon seeing a new electronics store named CIRCUIT CITY, how would you feel about buying a flat screen television, computer or cell phone from that store?

- Strongly Positive
- Slightly Positive
- Neutral/No Feelings
- Slightly Negative
- Strongly Negative

Q5. What makes you say that?

**VERBATIM TEXT RESPONSE REQUIRED**

## 8. Results of Phase I

### Q3 How do you feel about a new retail electronics store named CIRCUIT CITY?

Answered: 404 Skipped: 0

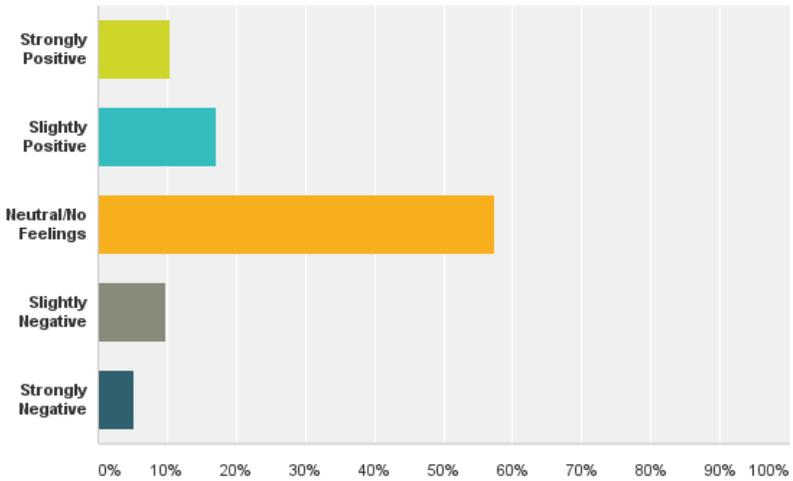


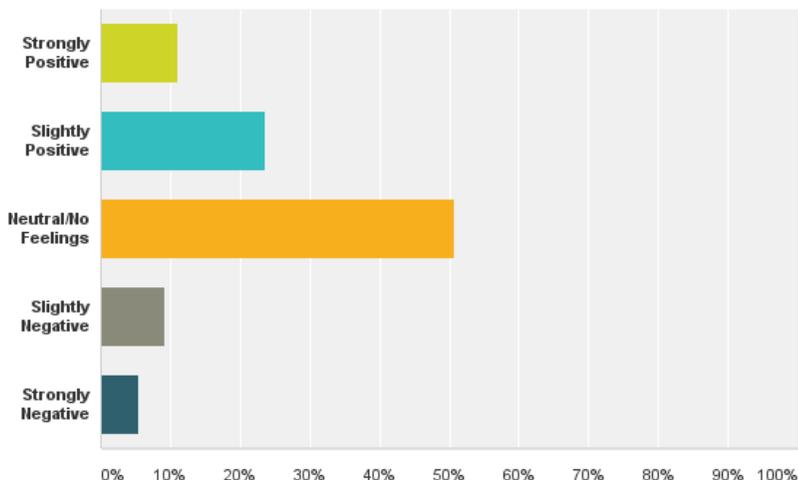
FIG. 1

Question 3 asked respondents “How do you feel about a new retail electronics store named CIRCUIT CITY?”

As [Figure 1](#) demonstrates, in response to Question 3, approximately 27% (N=111) of respondents reported a positive reaction to the name CIRCUI CITY when used in connection with a new electronics store. Approximately 15% (N=61) reported a negative reaction, and a majority (N=232) reported having no reaction.

**Q4 Upon seeing a new electronics store named CIRCUI CITY, how would you feel about buying a flat screen television, computer or cell phone from that store?**

Answered: 404 Skipped: 0



**FIG. 2**

In Question 4, each respondent was then presented with a hypothetical scenario: “Upon seeing a new electronics store named CIRCUI CITY, how would you feel about buying a flat screen television, computer or cell phone from that store?”

As [Figure 2](#) reflects, approximately 51% of respondents (N=205) expressed neutral or no feelings about

such a prospect, with 35% (N=140) expressing positive sentiments. Approximately 14% (N=59) expressed a negative response.

Question 5 asked the respondent to volunteer an explanation to his or her response to Question 4. Regardless of whether the respondent's reported reaction was positive, negative or neutral, representative verbatim responses included:<sup>162</sup>

"The previous Circuit City was good...have no idea if they are related"<sup>163</sup>

"Have not heard enough"<sup>164</sup>

"I remember the style and the colours of the place"<sup>165</sup>

"Circuit City went bankrupt, I thought? I remember this store from the 90's. although I don't recall ever making a purchase. I feel like Best Buy owns that space now."<sup>166</sup>

"Shopped at ones in the past and had great experiences, but cautious of 'new' version...Typically the names are trademarked but those can also be sold."<sup>167</sup>

"Didn't Circuit City go out of business some years ago? Why would you name a new store after one that failed?"<sup>168</sup>

"Familiar with store name"<sup>169</sup>

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<sup>162</sup> Verbatim responses were not coded separately in the Results, but were merely used to illuminate and give detail to the multiple-choice responses.

<sup>163</sup> Respondent #9 (Female, Age 60+, Pacific Region, Income \$200k+).

<sup>164</sup> Respondent #28 (Female, Age 65-74, East North Central Region, Income \$175k to \$199.9k).

<sup>165</sup> Respondent #32 (Female, Age 30-44, Pacific Region, Income \$75k to \$99.9k).

<sup>166</sup> Respondent #36 (Male, Age 30-44, Middle Atlantic Region, Income \$75k to \$99.9k).

<sup>167</sup> Respondent #46 (Female, Age 45-54, Pacific Region, Income \$50k to \$74.9k).

<sup>168</sup> Respondent #49 (Female, Age 65-74, Pacific Region, Income \$25k to \$44.9k).

“Circuit City is not new. It was around for years then went out of business. Resurrecting it does not make it new. The original Circuit City had lousy customer service and did NOT stand behind the products it sold. I will never spend another penny at a company that all but told me I was ‘SOL’ when a new appliance failed... Why else would someone adopt the name of a failed enterprise and one with an horrific reputation?”<sup>170</sup>

“I would need to know more about the business. We had Circuit City in Buffalo years ago and they left.”<sup>171</sup>

“I would wait until I heard from someone that I know who has shopped there”<sup>172</sup>

“Circuit City is an old name that has been around. Is this Circuiit City 2.0?”<sup>173</sup>

“I remember CIRCUIT CITY and was sorry to see it fold. If this is a comeback... I cheer. If a newcomer... I’d have to check it out...and would...How would I know without researching whether or not it’s related to the bankrupt CIRCUIT CITY. I’ll look for reports on the subject.”<sup>174</sup>

“Circuit City isn’t new. I bought from them back in 2000. Booooring. Another big box store I have to fight traffic to get to? Only to have to wave money to get help? How many Associates will there be at this 60k sq. ft. store?

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<sup>169</sup> Respondent #64 (Female, Age 55-64, Pacific Region, prefer not to answer income).

<sup>170</sup> Respondent #101 (Male, Age 45-54, Middle Atlantic Region, Income \$100k to \$124.9k).

<sup>171</sup> Respondent #106 (Female, Age 65-74, Middle Atlantic Region, Income \$75k to \$99.9k).

<sup>172</sup> Respondent #120 (Female, Age 55-64, East North Central Region, Income \$75k to \$99.9k).

<sup>173</sup> Respondent #129 (Male, Age 65-75, South Atlantic Region, prefer not to answer income).

<sup>174</sup> Respondent #132 (Male, Age 75+, Mountain Region, Income \$200k+).

Five? Oooooorr order online w/free shipping from...anywhere else.”<sup>175</sup>

“I don’t know enough about the corporation to form any opinions.”<sup>176</sup>

“If it’s anything like the original Circuit City, I would happily shop there.”<sup>177</sup>

“There used to be a Circuit City, didn’t there? Maybe there still is. It was an okay store, but I don’t have ‘feelings’ about it.”<sup>178</sup>

“I don’t know enough information to make a judgment.”<sup>179</sup>

“Circuit City isn’t new... so I’m curious about the rebranding of the name and strategy of the store. I’d probably shop there, but I’d be curious first.”<sup>180</sup>

“I thought there was already a store called Circuit City. I thought they’d gone out of business. Maybe not. If there was one close enough to me, I’d give them a try. I don’t really care where I buy a tv from, as long as it’s a decent tv and a decent price.”<sup>181</sup>

“There used to be an electronics store called Circuit City, and I don’t recall any negative things about it.”<sup>182</sup>

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<sup>175</sup> Respondent #143 (Male, Age 45-54, Middle Atlantic Region, Income \$75k to \$99.9k).

<sup>176</sup> Respondent #145 (Male, Age 35-44, East North Central Region, Income \$50k to \$74.9k).

<sup>177</sup> Respondent #147 (Male, Age 55-64, Pacific Region, Income \$10k to \$24.9k).

<sup>178</sup> Respondent #189 (Male, Age 65-74, Pacific Region, Income \$100k to \$124.9k).

<sup>179</sup> Respondent #218 (Female, Age 35-44, West North Central Region, Income \$125k to \$149.9k).

<sup>180</sup> Respondent #225 (Female, Age 25-34, East North Central Region, Income \$175k to \$199.9k).

<sup>181</sup> Respondent #240 (Female, Age 25-34, Mountain Region, Income \$75k to \$99.9k).

<sup>182</sup> Respondent #246 (Female, Age 35-44, Mountain Region, Income \$75k to \$99.9k).

“I used to live in Ohio & think there was one there. I now live in California. I liked Circuit City if it’s the same store”<sup>183</sup>

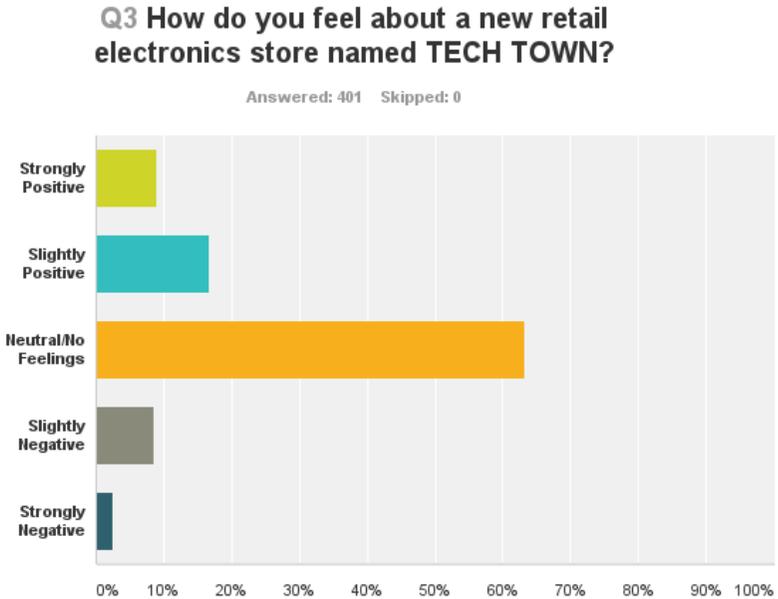
These and many other verbatim responses demonstrate that consumers still possess strong awareness of the CIRCUIT CITY brand (*e.g.*, “I recognize the name”, “Circuit City is not a new name”). However, many of the same verbatim responses also demonstrate that respondents were also frequently wary of assuming that the former Circuit City’s reputation would necessarily translate into the same product, quality and price offerings, for better or worse (*e.g.*, “Would have to test it out”, “I’d probably shop there, but I’d be curious first.”).

## 9. Results of Phase II

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<sup>183</sup> Respondent #271 (Female, Age 45-54, Pacific Region, Income \$75k to \$99.9k).

As seen below in Figure 3, in response to Question 3 (“How do you feel about a new retail electronics store named TECH TOWN?”), around 9% of consumers (N=36)



responded with a strongly positive reaction, with around 17% (N=67) reporting a slightly positive reaction, for a total of approximately 26% (N=103) positive reaction to the TECH TOWN name in general.

FIG. 3

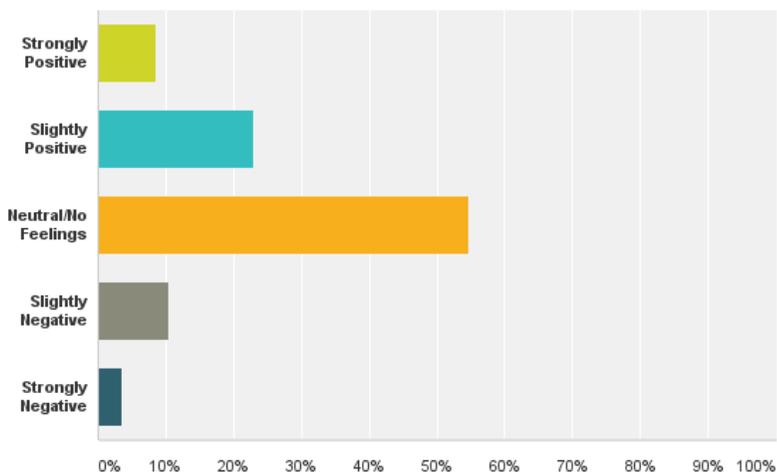
As seen below in Figure 4, in response to Question 4 about making a specific purchase at TECH TOWN, (“Upon seeing a new electronics store named TECH TOWN, how would you feel about buying a flat screen television, computer or cell phone from that store?”), 8% (N=34) of consumers responded with a strongly positive reaction, with 22% (N=92) reporting a slightly positive

reaction, for a total of 30% (N=126) positive reaction to the hypothetical purchase scenario.

Negative responses of consumers to Question 3 were 2% strongly negative (N=10) and 8% slightly negative (N=34), for a total negativity rate of 11% (N=44). Responses to Question 4 was 10% slightly negative (N=42), and 3% strongly negative (N=14), for a total

**Q4 Upon seeing a new electronics store named TECH TOWN, how would you feel about buying a flat screen television, computer or cell phone from that store?**

Answered: 401 Skipped: 0



negativity rate of 14% (N=56). Neutral/no responses were 63% (N=256) to Question 3 and 55% (N=219) for Question 4.

FIG. 4

In Phase II, Question 5 asked the respondent to volunteer an explanation to his or her response to Question 4. Regardless of whether the respondent's reported

reaction was positive, negative, or neutral. Representative verbatim responses in Phase II included:

“I would need to know more about the store before saying that I would definitely shop there.”<sup>184</sup>

“I prefer to purchase electronic items at local family owned business.”<sup>185</sup>

“Price and service counts, not name”<sup>186</sup>

“Need more info, but willing to check it out.”<sup>187</sup>

“One has to see how they operate after being in business for some time. Read reviews by customers to see if the company stands behind guarantees and what their refund policies are.”<sup>188</sup>

“The name of the store is new and modern! I like that. It seems like a store you’d see a sign to and want to go in it. The name of the store describes itself. It’s not like ‘Best Buy’ where you could pass on the road and you wouldn’t know if electronics are sold there or not. The name Tech Town speaks for itself and you know you can buy a lot of new technology and electronics there. The name is modern, makes sense and is fun to say!”<sup>189</sup>

“My choice is going to be based on the value of the purchase, not necessarily on the store name.”<sup>190</sup>

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<sup>184</sup> Respondent #2 (Female, Age 65-74, Middle Atlantic Region, Income \$50k to \$74.9k).

<sup>185</sup> Respondent #3 (Female, Age 45-54, West South Central Region, Income \$50k to \$74.9k).

<sup>186</sup> Respondent #4 (Female, Age 55-64, South Atlantic Region, Income \$50k to \$74.9k).

<sup>187</sup> Respondent #11 (Female, Age 45-54, East North Central Region, Income \$50k to \$74.9k).

<sup>188</sup> Respondent #15 (Male, Age 55-64, Pacific Region, Income \$75k to \$99.9k).

<sup>189</sup> Respondent #19 (Female, Age 25-34, South Atlantic Region, Income \$50k to \$74.9k).

<sup>190</sup> Respondent #23 (Male, Age 45-54, Pacific Region, Income \$100k to \$124.9k).

“I have no especial faith in electronic stores, would prefer to go by references from friends/family.”<sup>191</sup>

“just because it’s got a fancy name doesn’t mean it’s reasonably priced.”<sup>192</sup>

“If purchasing a new item, I would shop it around at as many stores as possible, this name for a store sounds like one I would consider checking out”<sup>193</sup>

“I know nothing about Tech Town. If I saw some of the marketing efforts I might give a less than neutral answer.”<sup>194</sup>

“It’s a cute name, but the name doesn’t mean the service/price/products are better or worse. Actually, maybe the service would be better since they’re trying so hard. I would feel the same buying a TV there as anywhere.”<sup>195</sup>

“Name sounds a bit cliché. Tech Town- suggests large acquisition/range/availability of technology but it doesn’t necessarily imply quality merchandise? Not sure here. Would depend on presentation. If I’m going to spend a lot of money on high-tech electronics I want quality/professionalism; I don’t want/schtick to sell me merchandise.”<sup>196</sup>

“I generally shop for electronics at Costco or online at Amazon. If a TechTown retail location was in the right

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<sup>191</sup> Respondent #58 (Female, Age 45-54, Middle Atlantic Region, Income \$10k to \$24.9k).

<sup>192</sup> Respondent #78 (Female, Age 55-64, Pacific Region, Income \$50k to \$74.9k).

<sup>193</sup> Respondent #85 (Female, Age 55-64, South Atlantic Region, Income \$75k to \$99.9k).

<sup>194</sup> Respondent #99 (Male, Age 65-74, Pacific Region, Income \$75k to \$99.9k).

<sup>195</sup> Respondent #106 (Female, Age 18-24, Mountain Region, prefer not to answer income).

<sup>196</sup> Respondent #139 (Female, Age 45-54, Middle Atlantic Region, Income \$50k to \$74.9k).

place I *might* stop in to look but probably wouldn't buy anything."<sup>197</sup>

"the name sounds straight forward and lets me know the products carried."<sup>198</sup>

"Having a new option would be good. I have no reason to feel negative about it. I'll feel strongly positive if the store proves to be excellent and unique."<sup>199</sup>

"What makes Tech Town different from Circuit City that went bankrupt a few years ago?"<sup>200</sup>

"The name of the company seems very inviting. I have never seen the store for myself"<sup>201</sup>

"Too many stores like that. Good luck competing with Best Buy and Amazon.com"<sup>202</sup>

"Will have to check out the store first and actually see have they have."<sup>203</sup>

"Never heard of Tech Town, so no preconceived notions"<sup>204</sup>

"Both of the words starting with T may catch some eyes."<sup>205</sup>

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<sup>197</sup> Respondent #171 (Male, Age 45-54, Mountain Region, Income \$200k+).

<sup>198</sup> Respondent #187 (Male, Age 65-74, Mountain Region, Income \$125k to \$149.9k).

<sup>199</sup> Respondent #217 (Male, Age 45-54, Pacific Region, Income \$200k+).

<sup>200</sup> Respondent #226 (Male, Age 55-64, Middle Atlantic Region, Income \$50k to \$74.9k).

<sup>201</sup> Respondent #254 (Female, Age 18-24, West South Central Region, Income \$25k to \$49.9k).

<sup>202</sup> Respondent #271 (Male, Age 45-54, East North Central Region, Income \$50k to \$74.9k).

<sup>203</sup> Respondent #292 (Male, Age 45-54, Region Unspecified, Income \$25k to \$49.9k).

<sup>204</sup> Respondent #357 (Male, Age 18-24, Middle Atlantic Region, prefer not to answer income).

<sup>205</sup> Respondent #371 (Male, Age 35-44, Region Unspecified, prefer not to answer income).

“Never heard of the place. My tech purchases are minimal. But if they can better fulfill my few needs, I’d be happy to give them a shot.”<sup>206</sup>

“I would check it out if it was convenient and would be willing to do business with it, but electronics are one thing that is very easy to get good deals on online”<sup>207</sup>

These and many other verbatim responses demonstrate that consumers were aware that the electronics retail store environment is highly competitive but were apparently willing to “check out the store” and “give them a shot.”

## VII. CONCLUSIONS ABOUT CASE STUDIES: MEASURING VALUE

Measuring value in a brand is one of the most difficult valuation bases to calculate.<sup>208</sup> As discussed, *supra*, regarding Case Study #1, P&G’s marketing budget for WHITE CLOUD-brand toilet paper in the years immediately preceding its abandonment, was substantial. In the decade following its relaunch, sales under its new owner climbed steadily.<sup>209</sup> At least part of the reason for its success on the second go-around was presumably due to its existing consumer recognition. However, we have no way

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<sup>206</sup> Respondent #375 (Male, Age 18-24, New England Region, Income \$0 to \$9.9k).

<sup>207</sup> Respondent #385 (Male, Age 35-44, Mountain Region, Income \$50k to \$74.9k).

<sup>208</sup> See Wasserman, Brooke, “Valuation of Intangible Assets: Should Brand Equity Be Accounted for on the Balance Sheet?” (2015). Honors Scholar Theses. 411, *see also* Russell Abratt & Geoffrey Bick, *Valuing Brands and Brand Equity: Methods and Processes*, 80 J. OF APPLIED MGMT. & ENTREPRENEURSHIP, 21, 26 (2003) (discussing replacement cost to launch a new brand).

<sup>209</sup> *See* White Cloud, the Brand that Wouldn’t Die, AdAge, November 15, 2017.

of retroactively measuring recognition or goodwill at the time of that brand's relaunch.

With respect to Case Study #2, the *delta* ( $\Delta$ ) between Dormant Brand X (CIRCUIT CITY) and hypothetical Brand Y (TECH TOWN) would be the current "advantage" value possessed by the dormant brand in the marketplace. That is, if we assume two startup competitors are ready to launch their electronic retail store businesses in an identical nationwide marketplace, except the first company capitalizes on the name CIRCUIT CITY and the second company uses TECH TOWN, we can evaluate these distinctions *in vivo*.

Based on our survey, we can conclude that the first company possesses no statistically-significant advantage that can be measured and objectively valued.<sup>210</sup> In other words, if TECH TOWN starts out with a marketing budget, it need not invest anything more in its marketing and promotion in Year 1 to reach the same positive goodwill among the public nationwide that CIRCUIT CITY also starts out with in Year 1.<sup>211</sup>

Specifically, when we compare the data yielded in Phases I and II of the consumer survey, we can make the following observations about Case Study #2:

Consumers reported virtually identical positive reactions to CIRCUIT CITY as to TECH TOWN both generally (27% and 35% in Phase I) and in the specific hypothetical purchase scenario (26% and 31% in Phase II).

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<sup>210</sup> See *McCarthy* at § 2:22 ("Another rough method is to estimate the cost of recreating from nothing the trademark and its goodwill. For example, if the Ford Motor Co. were ordered to stop all use of the FORD Mark and start all over again with a new, completely different mark, what would it cost to create a mark with the same degree of marketplace symbolism and reputation as the FORD trademark?").

<sup>211</sup> See Freno, *Trademark Valuation: Preserving Brand Equity*, 97 TRADEMARK REP. 1055, 1058 (2007) ("In many cases, by far the largest cost associated with a trademark involves advertising, marketing, and promoting the trademark and developing the brand.").

Consumers reported virtually identical negative reactions to CIRCUIT CITY as to TECH TOWN (15% Phase I; 11% and 15% in Phase II).

Consumers reported virtually identical neutrality and skepticism toward both brands' entry into a highly competitive retail environment.

In summary, there was no measurable advantage from use of the dormant brand CIRCUIT CITY, nor was there any notable disadvantage. In other words, a new TECH TOWN appears no worse off based on its name alone, and CIRCUIT CITY no better off.

The consumer survey that was conducted sought to conceptually and empirically measure any advantage with respect to CIRCUIT CITY based on expressions of brand recognition and positive goodwill. We can be reasonably certain that CIRCUIT CITY's attributes as measured in the study were largely due to responses that probably would have been given to a similar electronics retailer's name, as the control data from TECH TOWN wiped out any advantage that CIRCUIT CITY appeared to possess, at least with respect to our measure of self-reported consumer goodwill and brand recognition.

Thus, as can be seen from the data set and verbatim responses, consumer recognition of the dormant CIRCUIT CITY trademark is still reasonably high, despite the fact that the brand has not been used in commerce for nearly a decade, and the former owner went bankrupt. More than one out of every three consumers nationwide reported having a positive reaction to this dormant brand. However, many consumers were also skeptical whether a reincarnated Circuit City-branded retail store would fare any better than an identically-named predecessor. In fact, many expressed specific negative recollections of CIRCUIT CITY's demise.

Indeed, the unused brand TECH TOWN demonstrated almost identical rates of reported negativity,

neutrality, and skepticism among prospective consumers. Therefore, any advantage possessed by CIRCUIT CITY was statistically negligible.

Verbatim responses in both phases revealed that the attributes that affected consumers appeared to have more to do with existing competition in the retail electronics category (Best Buy, Amazon, etc.) and price and/or quality issues with respect to the specific electronic products sold, rather than by the name of the store.

These findings are consistent with the anecdotal experiences of branding experts. For example, Philip Davis notes in an interview about reviving dormant brands:<sup>212</sup>

New brands provide a blank slate that allows a company to build a message and craft a story. But they are also expensive to market. An established, dormant brand name can provide a short cut; it contains that sought after familiarity and affiliations. The key questions would be: “Does the pre-existing brand equity match with the brand attributes and positioning of the proposed new company/product?”; and “Does the acquisition cost of the established brand name exceed the cost of promoting a new one?”

In Case Study #2, CIRCUIT CITY provided no measurable brand equity that exceeded the cost of creating familiarity and affiliations from scratch with a new name, such as TECH TOWN, in the retail electronics store category.

## CONCLUSION

Despite having fallen out of use, dormant brands can still have value. These brands can retain strong levels of brand recognition among consumers for years, perhaps decades, after the former owner has abandoned its legal

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<sup>212</sup> See Warner, *supra* note 4.

rights. However, any remaining equity remains a difficult proposition to assess and even more difficult to economically value and harness.

Consumers are far more sophisticated than assumed. They are apparently well-aware that their recognition of a dormant trademark does not necessarily imply that the products or services newly-marketed under that brand will be equal to or exceed their prior experiences. Each dormant brand possesses its own unique history and lingering associations in the minds of consumers, some positive, some negative. Whether any remaining brand recognition can be harnessed may very well depend more on the specific business category that a dormant brand is relaunched within, rather than nostalgia or residual goodwill.