
Stetson v. Wolf & Assocs., 955 F.2d 847 (2nd Cir.
1992)

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INTRODUCTION

Plaintiff, Stetson, and defendants, Wolf & Associates and Bob Duncan, are members of two separate musical groups, both using the name "The Diamonds." Stetson filed suit in the Southern District Court of New York seeking a declaration that he was the sole owner of this trade name. On appeal, the Second Circuit affirmed the District's Court's finding that the trade name's original owner never abandoned the name and properly conveyed all interest in it to the defendant. However, the Second Circuit did not agree with the District Court's application of the *Silverman* test. The lower court incorrectly analyzed the original owner's intent to abandon the trade name rather than simply determining if he did, in fact, abandon it.¹

FACTS

In the 1950's, Nathan D. Goodman managed a popular vocal quartet called "The Diamonds". In 1958, the band members entered into a contract with Goodman stating they would not "use nor cause to be used nor in any way exploit the trade or professional name "The Diamonds"" without the prior written consent of Goodman.²

In 1963, the band members entered into a partnership agreement whereby Goodman reconfirmed his managerial role and royalty entitlements and retained the exclusive right to control and use the trade name "The Diamonds." In 1967, the parties dissolved the partnership, but Goodman retained his rights under the 1963 partnership agreement and his role as manager. He then granted a use license to the current band members and they continued to perform using the trade name.

The band members eventually refused to honor Goodman's managerial role or pay him his royalties and, in 1968, they attempted to revoke the terms of the 1963 agreement. In response, Goodman filed suit and, in 1973, won a declaration of his exclusive rights to the trade name, an injunction forcing the group to comply with the management contract and license, and damages representing royalties owed him. During this lawsuit, the group continued to tour under the name "The Diamonds." In 1971, Stetson joined this group and became the group's leader. After receiving a judgement in his favor, Goodman licensed the trade name to the leader of a different group. Duncan subsequently joined this second group, became band leader and obtained a license from Goodman for the continued use of the trade name.

As a result, Stetson and Duncan each led a group calling themselves "The Diamonds." Stetson filed suit alleging infringement and seeking a permanent injunction against Duncan's use of the name. In finding for Duncan, the District Court held Goodman did not abandon ownership of the trade name because he did not intend to do so and, therefore, Goodman properly conveyed all interest in the trade name to Duncan.

LEGAL ANALYSIS

On appeal, the issue for the Second Circuit was whether Goodman, the legal owner of the trade name "The Diamonds", did in fact abandon this ownership and therefore could not transfer good title to Duncan. Generally, continued use of a trade name by the legal owner is required to avoid a finding of abandonment and hence, forfeiture of all ownership rights to an economic actor more willing to use and promote the name in commerce.³ Under the two-pronged test pronounced in *Silverman v. CBS Inc.*, a trade name is abandoned if the legal owner does not use the name for a period of time and does not intend to resume use in the reasonably foreseeable future.⁴ To satisfy the use requirement under *Silverman*, the owner of a trade name must use it in such a way that he promotes the name in commerce and to such an extent that the public can still identify the name with that owner.⁵ A lawsuit against an infringing user or sporadic licensing does not constitute "use" since these acts alone do not promote the trade name in commerce.⁶ The motive for non-use is irrelevant.

Expanding on the *Silverman* test, the Appellate Court recognized that what may constitute use depends on the owner's occupation or business. While a band member uses the trade name by touring, making and releasing records and receiving royalties, a band manager's use consists of arranging tours, organizing record production, negotiating contracts and other attempts at expanding the group's public exposure. However, when performers refuse to allow a manager to perform these contractual duties, litigation becomes his only opportunity to use the trade name. Under these circumstances, a lawsuit could satisfy the *Silverman* use requirement if it seeks to enforce the managerial role and, thus, expand public recognition of the trade name instead of simply seeking an injunction against an infringing user.⁷

Upon review, the Second Circuit determined that the lower court applied the *Silverman* test incorrectly but concluded, even under the appropriate criteria, the defendant prevailed. The Appellate Court rejected the District Court's approach because it was based on an analysis of Goodman's intent to abandon the trade name during the 1968 lawsuit. The Appellate Court emphasized that, under the first prong of the *Silverman* test, the proper focus is whether Goodman actually failed to use the trade name, not whether he intended to do so.