

The POLLO PICU case: playing chicken with the trade(mark)

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Legal updates: case law analysis and intelligence

- Under the Lanham Act, non-use for three consecutive years shall be *prima facie* evidence of abandonment
- The text makes no distinction between inexcusable and excusable years of non-use
- Licensing agreements without adequate quality control cannot show an intent to resume use of the mark

In a recent decision by Judge Kermit V Lipez of the US Court of Appeals for the First Circuit, the issue of trademark abandonment left one Puerto Rican poultry producer roasted. In particular, the court addressed the extent to which the intentional non-use of a trademark can rebut the presumption of abandonment which arises under the Lanham Act where there is no actual commercial use of the mark for at least three years. Can financial difficulties excuse this non-use? This was the inquiry addressed by the decision in [To-Ricos Ltd v Productos Avícolas del Sur Inc](#) (No 22-1853, 2024 WL 4234502 (1st Cir 2024)).

Background

Productos Avícolas del Sur Inc ('Avícolas'), a once well-recognised Puerto Rican brand, registered the word mark POLLO PICU with the US Patent and Trademark Office (USPTO) in 1995. Avícolas then went on to register PICU and POLLO PICU with a cartoon chicken logo in 1988. However, popularity waned due to administrative and financial challenges, so much so that the original POLLO PICU word mark was cancelled due to Avícolas' failure to file the required Section 8 declaration with the USPTO in 2006. The situation did not improve: by 2009, the PICU mark and POLLO PICU with logo were cancelled due to the same failure to file a Section 8 declaration.

Troubles continued to follow Avícolas' business. In 2011 Avícolas' bank, Banco Popular de Puerto Rico, froze financing as the institution audited Avícolas' credit accounts. From January 2012 to October 2014, the bank pursued collections and foreclosure against Avícolas. This culminated in a lump sum stipulation agreement such that the bank would obtain a lien over the mark POLLO PICU until foreclosure proceedings concluded, or upon payment of a lump sum by Avícolas in December 2014. Payment was never made.

By June 2017 Banco Popular had not exercised its right to foreclose. Avícolas sought relief from the Commonwealth Court, proposing the order of foreclosure or to declare Avícolas free of obligations to the bank and removal of the POLLO PICU lien. The Commonwealth Court declared Avícolas free of its obligations.

Throughout this ordeal, Avícolas considered selling to its main competitor, To-Ricos Ltd. In March 2013, during the bank proceedings, Avícolas' president made an offer to To-Ricos. No sale resulted from the correspondence. Avícolas, now without trademark registrations for PICU or POLLO PICU, continued to peck for solutions to its woes.

In April 2016 To-Ricos filed to register the mark POLLO PICU based on its understanding that the mark had been abandoned by Avícolas. Avícolas then filed to register the same mark a few months later in July. On 6 October 2016 Avícolas opposed To-Ricos' POLLO PICU application. Despite the registration of To-Ricos' POLLO PICU, in September 2017 Avícolas entered into a licensing agreement with IMEX Americas Trading LLC. IMEX, an import/export industrial player, started to sell product using the POLLO PICU mark in March 2018.

Within months, and upon notice that IMEX had begun use of the mark, To-Ricos sent a cease and desist letter. By June 2018 IMEX had stopped use of the POLLO PICU mark. In June 2019 To-Ricos began selling its chicken product with the mark POLLO PICU and sued Avícolas, asserting a claim of abandonment and seeking a declaratory judgment validating its registration of POLLO PICU. In September 2022 the district court entered summary judgment in favour of To-Ricos. Appeal by Avícolas followed to reclaim the mark.

Legal standards

The ease with which you may sympathise with Avícolas' plight may also be met with a ready appreciation of To-Ricos' opportunity. But what is the standard for trademark abandonment under the Lanham Act?

First, the Circuit Court reviewed the summary judgment decision of the District Court *de novo* as a matter of law. Although trademark abandonment involves questions of fact, the summary judgment resolution was a matter of law. The court reviewed the appeal in the light most favourable to the non-moving party. Since To-Ricos moved for summary judgment, the record would be review in favour of Avícolas.

A trademark is considered abandoned if "its use has been discontinued with intent not to resume such use" (Lanham Act, 15 USC § 1127). After a mark has been abandoned, it returns to the public domain. The party claiming abandonment bears the burden of persuasion with respect to two inquiries:

1. Is there non-use of the mark by the legal owner?
2. Is there a lack of intent by the owner to resume use of the mark in the reasonably foreseeable future?

The Lanham Act states that the challenger of a mark may establish a *prima facie* case of abandonment by showing the non-use of the mark for three consecutive years (15 USC § 1127). A rebuttable presumption of abandonment is created by this *prima facie* showing. While the burden of persuasion still lay with the mark challenger, To-Ricos, the burden of production (of evidence) shifted to the mark owner, Avícolas, to show that within the three-year period that there was use of the mark or intent to use in the reasonably foreseeable future.

Excusable non-use and intent-to-use analysis

Avícolas made arguments on two grounds: excusable non-use and intent to use the mark. In arguing excusable non-use, Avícolas asserted that the temporary suspension of use of a mark for reasons beyond the mark owner's control cannot establish an abandonment claim. To-Ricos rebutted that *explanations* for non-use alone cannot rebut the presumption of abandonment.

The court agreed with To-Ricos, citing the Lanham Act (15 USC § 1127): "Non-use for three consecutive years shall be *prima facie* evidence of abandonment." As the court explained, the text makes no distinction between inexcusable and excusable years of non-use. Further, the court stated that "the prior owner cannot satisfy its burden of production simply by providing a reason why it did not use the mark during the statutory period".

Avícolas also argued that it had rebutted the presumption of abandonment through its actions demonstrating intent to use the POLLO PICU mark in three circumstances:

1. the attempted sale to To-Ricos in 2012;
2. by unencumbering the mark of the Banco Popular's foreclosure obligations in 2014; and
3. the 2017 licensing agreement with IMEX demonstrated an intent to resume use of the mark.

The court tackled these arguments in turn.

In addressing the 2012 failed transaction between Avícolas and To-Ricos, the court explained that circuits are divided on whether an attempt to sell a mark demonstrated intent to use the mark in commerce. Ultimately, the issue was not addressed further, because the 2012 correspondence fell outside of the relevant three-year statutory period. To-Ricos applied for the POLLO PICU mark in 2016, so the relevant period began in 2013.

Regarding unencumbering the mark from foreclosure proceedings in 2014, the court expounded that the settlement agreement with Banco Popular “does not imply [] intent to resume use of the mark in commerce in the reasonably foreseeable future”. Moreover, the record contained no evidence indicating Avícolas intended to resume use of the mark before or after the bank’s encumbrance was lifted. Even a vague intent to use the mark at an indefinite time in the future would not be enough to rebut the presumption of abandonment.

Finally, the court confronted the IMEX licensing agreement of 2017. It noted that the agreement was signed more than a year after the relevant statutory period, which ended in 2016 with the application by To-Ricos. However, the death knell for Avícolas’ argument rang with the court’s explanation that “agreements without adequate quality control cannot show an intent to resume use of the mark”. In sum, Avícolas abandoned the mark.

Rebutting the presumption of abandonment

Ultimately, the court affirmed the entry of summary judgment in favour of To-Ricos. So, what should a mark owner defending against a claim of abandonment do to rebut the presumption? To start, use your mark. Actual use of the mark in commerce will stop the abandonment clock, allowing for less chance that the three-year statutory window will remain open. This act alone could prevent the presumption from being established.

With regard to an intent to use the mark in the foreseeable future, provide documentation of definite periods of use and future use in licensing agreements and day-to-day operations, and establish quality control mechanisms that will allow for the swift identification and tracking of use of your mark. This will also provide a means for adequate enforcement of your mark in the future. With these preliminary precautions underway, you may avoid future headache. After all, the last thing you would want is to be running around like a headless chicken.

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