

GREAT SCOTT! THE RETURN OF THE DELOREAN TRADEMARK DISPUTE!

Intellectual Property & Technology Alert
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The legal battle over the DeLorean Motor Company's (DMC) intellectual property rights has had as many twists and turns as a time portal activated by 1.21 Gigawatts of power. This time-travelling tale begins with DMC filing for bankruptcy in 1982, three years before Michael J. Fox and Christopher Lloyd brought the time-travelling DeLorean to worldwide prominence in the first *Back to the Future* film. In the bankruptcy proceeding, DMC founder John Z. DeLorean purchased the company's intellectual property, which included the rights to use trade dress of the iconic DeLorean automobile, the DMC and DeLorean trademarks, and all design and engineering rights.

A few years following the bankruptcy, and after Marty McFly drove the now iconic DeLorean DMC-12 on the silver screen, a new and unaffiliated DeLorean Motor Company (DMC-Texas) sprang up in Humble, Texas. DMC-Texas acquired DeLorean parts on the secondary market to re-sell as replacement parts to DeLorean enthusiasts. DMC-Texas also used the DMC and DeLorean trademarks and the iconic automobile trade dress, sold merchandise bearing the aforementioned marks, registered and used the web addresses www.delorean.com and www.deloreanmuseum.org, and licensed DeLorean properties to a wide-array of companies such as Nike, Mattel, Target, Microsoft, Apple, Hot Wheels, and more. DMC-Texas even acquired several US trademark registrations for DELOREAN and DMC connected to automobile parts, clothing, watches, and automobile dealerships.

On February 21, 2014, Sally DeLorean, the administrator of the estate of John Z. DeLorean, sued DMC-Texas, arguing it was using and licensing DeLorean intellectual property without a license. In a subsequent Settlement Agreement, DMC-Texas paid the estate an undisclosed sum and the estate acknowledged DMC-Texas' rights in the DMC and DeLorean trademarks "any of which are used with the automobile industry and associated ventures." The estate retained the rights to John Z. DeLorean's name, life, and likeness.

As part of the discovery proceedings in the 2014 action, the parties became aware of a 1989 agreement between John Z. DeLorean and Universal Pictures, in which DeLorean granted Universal the right to use the design of the iconic car, the DeLorean name, and the DMC logo for merchandising and commercial tie-ins related to the *Back to the Future* franchise in exchange for five percent of net receipts

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of the merchandising and commercial tie-ins. The Universal Agreement paved the way for McDonald's Happy Meals to include a Dr. Emmett Brown action figure riding in a plastic toy DeLorean. The Universal Agreement purported to bind Universal and John Z. DeLorean's respective heirs, successors, and legal assigns. Universal made some number of initial payments under the Universal Agreement, but eventually stopped paying at some unknown point in time.

In February 2018, the estate requested an accounting from Universal for the amount allegedly owed under the Universal Agreement. However, Universal informed the estate that DMC-Texas had previously claimed it possessed the rights subject to the Universal Agreement, and as such, Universal had been paying DMC-Texas the owed payments. The estate, claiming that DMC-Texas was engaging in Biff Tannen-like deception, sued DMC-Texas in the Federal District Court of New Jersey, seeking a declaratory judgment that it was the rightful owner of all rights stemming from the Universal Agreement, as well as an accounting of and payment of payments received by DMC-Texas under the Universal Agreement.

On October 12, 2018, the Court dismissed the estate's complaint by finding the estate's claims made under the Universal Agreement fell within the scope of the claims barred by the Settlement Agreement. First, the Court found the subject matter of the agreements overlapped. In the Settlement Agreement, the estate agreed not to sue DMC-Texas regarding (1) the name DeLorean Motor Company, (2) the DMC logo, and (3) the stylized word "delorean." In the Universal Agreement, John Z. DeLorean gave Universal the right to use (1) the appearance of the DeLorean automobile, (2) the name DeLorean, and (3) the DMC logo as it appeared on the automobile. While the estate argued that the appearance of the DeLorean automobile was outside of the scope of the Settlement Agreement, the Court found that the Settlement Agreement had contemplated the inclusion of the automobile's appearance due to the DeLorean and DMC trademarks appearing on the automobile.

Second, the Court found the agreements pertained to the use of the name and marks in a similar context, namely, the manufacturing and merchandizing of products displaying the DeLorean automobile's image and brand. The Universal Agreement gave Universal the right to manufacture and sell any articles of merchandising, such as toys, apparel, etc., using or based upon the DeLorean name, the DMC logo, or the design of the iconic car. Similarly, the Settlement Agreement acknowledged DMC-Texas' worldwide rights to use the names and marks for any and all goods and services, including clothing and promotional items. Further, in the Settlement Agreement, the estate agreed not to sue DMC-Texas for merchandising or licensing related to the business of the DeLorean Motor Company and its associated brand. Additionally, the estate had entered into the Settlement Agreement with knowledge of DMC-Texas's current licensing activity regarding the name DeLorean and the image of the iconic car.

Legal Practice Tips:

1. It is critical to maintain a list of your company's active trademarks and service marks, registered and unregistered. This list should include the goods and services associated with each mark, the jurisdictions in which the marks are used and registered, the owner of the mark, and important dates, such as expiration and renewal dates.
2. It is similarly critical to maintain a list of license agreements related to your trademarks. The list of license agreements should include the types of agreements (such as exclusive, sole, non-exclusive, etc.), the scope of the license agreements, the parties to the agreements, channels of trade, and any relevant dates, such as effective date and/or termination date.

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3. When drafting new agreements (such as licenses, coexistence and settlements), it is crucial to utilize, and incorporate when necessary, the information from the above lists to inform the terms of the new agreement. For example, the terms in a prior trademark license agreement may limit your company's ability to license that same mark to other parties.

At Hodgson Russ, our Intellectual Property and Technology Group is comprised of trademark, copyright and patent practitioners and litigators that can draft and manage your intellectual property and transactional agreements. Further, when enforcement is necessary, our team will be able to litigate your matters through verdict, or draft appropriate settlement agreements.