Abandonment *and* Trademark Licensing

Trademark & Unfair Competition
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What is a license?

What is a license?

- It is a permission or consent for the licensee to do something otherwise within the licensor's exclusive rights. ("Exclusive rights" mean the right to exclude others.)
- It is legally cognizable as an affirmative defense to an action for infringement or misappropriation based on some form of intellectual property (copyright, patent, trademark, trade secret, or right of publicity).

Is a license a contract? What's the difference?

Is a license a contract?

- Many courts say so.

  "A license is a contract."

  Global Communincations, Inc. v. Directv, Inc., 4:12CV651-RH/CAS, 2013 WL 11325041, at *2 (N.D. Fla. Aug. 21, 2013) (patent infringement case)

  "... a license is a contract ..."

  Datatreasury Corp. v. Wells Fargo & Co., 522 F.3d 1368, 1371 (Fed. Cir. 2008) (patent infringement case)

  "... a license is a contract ..."

  Foad Consulting Group, Inc. v. Azzalino, 270 F.3d 821, 828 (9th Cir. 2001)

- But no, a license is not a contract.
- And courts that say a license is a contract are being hasty with language. They couldn't possibly really mean it, because if licenses were contracts, that would create a huge mess.

Some key, practical differences between licenses and contracts:

- Requirement of consideration
  - Contracts need consideration; licenses don't.
- Persons against whom enforcement may be sought
  - Contracts bind only the contracting parties; licenses are good against co-owners and later owners.
- Changed minds
  - Contract law abhors specific performance; yet a license seems to endure as an affirmative defense despite claimed revocation.

A good article that explains this:

Christopher M. Newman, A License Is Not A "Contract Not to Sue": Disentangling Property and Contract in the Law of Copyright Licenses, 98 IOWA L. REV. 1101 (2013).

He reviews various scenarios of bizarre outcomes that "would all be fairly straightforward implications of the premise that a license is nothing but a 'contract not to sue.'" Then he says, "Yet no one, I think, actually believes those arguments should prevail."

"[P]racticing lawyers and judges already recognize on some level that a license is not simply a 'contract not to sue.' Yet many continue to pay lip service to this formulation, and it remains enshrined in the leading treatises on copyright and licensing. The result is that sometimes legal actors actually do fall back on the contract theory of license to analyze legal problems, often with inconsistent and counterproductive results."

- Christopher M. Newman, 98 Iowa L. Rev. 1101, 1106 (2013)

Licenses & contracts

So:

- A license can be one thing *exchanged* in a contract (like money, goods, warranties)
- But …
- A license is not a contract.
- And …
- There is no such thing as breach of license.

Licenses & contracts

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- But …
- A license is not a contract.
- And …
- **THERE IS NO SUCH THING AS BREACH OF LICENSE.**

Contractual remedies vs. IP remedies

IP PITFALL:

Structuring a license agreement so that you can only get contractual remedies instead of IP remedies

Remedies differences

Contract A: "I license the software to you for one year. You agree to pay me $1,000 per month for 12 months."

Contract B: "You agree to pay me $1,000 per month for 12 months. I license the software to you, conditioned upon the receipt of timely payments. If any payment is not made when due, the license ceases."

What happens if you stop payment?

Remedies differences

If you stop payment under Contract A and keep making copies (or otherwise doing things within the exclusive privilege of copyright), I can sue you for breach of contract, but not copyright infringement.

If you stop payment under Contract B and keep making copies (or otherwise doing things within the exclusive privilege of copyright), then I can sue you for copyright infringement as well as breach of contract.

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Remedies include ...

©	Injunctions; restitution (of D's wrongful gains); statutory damages up to $150K per infringement
Pat.	Injunctions; royalties; treble damages
TM	Injunctions; punitive damages; treble damages
Trade Secret	Injunctions; restitution (of D's wrongful gains); punitive damages; royalties
Right of Publicity	Injunctions; punitive damages

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These are so much better for the plaintiff than mere contract expectation damages!

Some key points for keeping things straight

Some key points

- There is no such thing as "intellectual property infringement."
- To be able to bring an action to exclude someone else from an intangible, the action must sound in copyright, patent, trademark, trade secret, or right of publicity.*
  - * with the possible exception of some extremely rare, idiosyncratic cases that apply to very particular circumstances, and even then doctrines may turn out to be federally preempted. For instance, there may be an action outside of those regimes for real-time, undelayed redistribution of stock quotes.

Some key points

- There is no such thing as "title in information."
- Correspondingly, there is no such thing as "trespass to information."
- In the United States, information cannot be owned, as such.
- If you are going to sue someone for copying information, it will need to be done by way of a recognized intellectual property right, such as copyright or trade secret.

Some key points

- There is no such thing as "breach of license."
- If someone has acted beyond the scope of the license, then the licensor might have an action for infringement or misappropriation of some intellectual property right.

Trademark Ownership and Licenses

- Trademarks have only one owner, so licenses from co-owners is not an issue
- Trademarks cannot be the subject of "naked licensing," or the trademark is extinguished
- A naked license is one where the trademark owner does not retain control over the quality of the products sold under the mark

Express and implied licenses

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Licenses can be express (oral or written) or implied, and be perfectly valid.

Transactional practice

Licensing

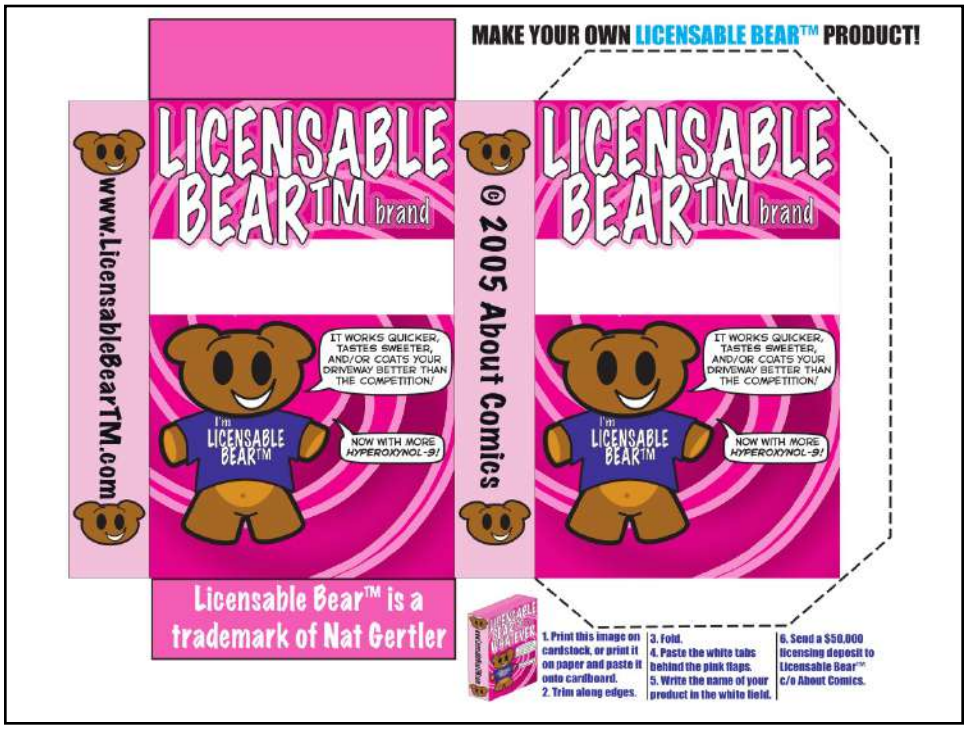
To fully safeguard your (or your client's) trademark against abandonment/naked-licensing/naked-assignment and otherwise armor it against attack:

- For a license
  - Put the license within an express agreement providing you a contractual right to control quality – including to inspect, and to supervise usage revoke for lack of quality
  - Actually exercise quality control in fact
- For an assignment
  - Always assign the mark's associated goodwill with the mark.
  - It's good practice to assign some meaningful asset along with the mark.
  - Avoid a situation where, in fact, the mark is severed from the goodwill. (Our example was an attempt to sell just a name but keep all the same customers and keep all accumulated reputation.)

As a licensee:

- Beware of the peril of the doctrine of licensee estoppel, which bars a licensing from asserting a naked license defense.
- This is a particular concern where the license is part of resolving/settling a dispute. Getting a license today could prejudice your ability to fight the validity of the the trademark tomorrow.

Things to think about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• FDA Approved Food Grade Silicone
Great recipe on back
HERSHEY'S

USE OF THIRD PARTY TRADEMARKED NAMES AND LOGOS

Recently, we have received some inquiries at Little League International asking for advice on the use of trademarked names and logos, particularly those of Major League Baseball teams.

For more than six decades, Little Leagues have used the names of Major League Baseball teams. That tradition continues today, and will continue for many years to come. Major League Baseball has never restricted any Little League teams from calling themselves "Mets," "Yankees," "Cardinals," "Angels," or any of its other trademarked names.

However, we also recognize the importance to Major League Baseball of the protection of its trademarks. It is incumbent on any organization, Little League included, to protect its trademarks. To fail to do so can result in those valuable trademarks being lost.

We strongly encourage our leagues who wish to place any trademarked names on a uniform item, including those of Major League Baseball clubs, to use only those items authorized and licensed by Major League Baseball.

It is important to note that unauthorized use of any trademark, including those belonging to Major League Baseball, may result in civil liability by the manufacturer of items bearing those trademarks. So, even though a local Little League that uses shirts with unauthorized Major League Baseball trademarks will not be held liable, it is likely that the business that provided the shirts would be.