



Trademark Transactions, Goodwill, Licensee Estoppel, and Abandonment

Trademark & Unfair Competition
Eric E. Johnson
ericejohnson.com



Konomark
Most rights sharable

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 Communications, 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)

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.

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.**

Contractual
remedies
vs.
IP remedies

IP PITFALL:

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

Let's say I have some software that is protected by a copyright I own.

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?

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.

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.



Way better for the licensor!!!

Let's say I have some software that is protected by a copyright I own.

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."



Way better for the licensor!!!

What happens if you stop payment?

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

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

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

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

Remedies include ...

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

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

Express and implied

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

Assignments and goodwill

Assignments

In assignments, goodwill must go with the trademark

**“[A]ssignment of a trademark without the
goodwill it represents is invalid”**

**C.P. Ints., Inc. v. California Pools, Inc., 238 F.3d 690, 701 (5th
Cir. 2001)**

**“Courts have consistently held that a valid
assignment of a trademark or service mark
requires the transfer of the goodwill
associated with the mark.”**

**Vittoria N. Am., L.L.C. v. Euro-Asia Imports Inc., 278 F.3d 1076,
1082 (10th Cir. 2001)**

In assignments, goodwill must go with the trademark

So when assigning a trademark, both recite that you are transferring the goodwill, and work to show the substance of the transaction reflects that. Goodwill is an abstract notion. So good advice would include assigning some assets along with the trademark that shows the intent to transfer the goodwill with the mark.

**Transactional
practice
key takaways**

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 written agreement providing you a contractual right to control quality – including to inspect, and to supervise usage and 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.

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.