

2020 LICENSING UPDATE

**GREGORY J. BATTERSBY
CHARLES W. GRIMES**

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher and the author(s) are not engaged in rendering legal, accounting, or other professional services. If legal advice or other professional assistance is required, the services of a competent professional should be sought.

—From a *Declaration of Principles* jointly adopted by
a Committee of the American Bar Association and
a Committee of Publishers and Associations.

Copyright © 2020 CCH Incorporated. All Rights Reserved.

No part of this publication may be reproduced or transmitted in any form or by any means, including electronic, mechanical, photocopying, recording, or utilized by any information storage or retrieval system, without written permission from the publisher. For information about permissions or to request permissions online, visit us at www.WoltersKluwerLR.com/policies/permissions-reprints-and-licensing, or email us at LRUSpermissions@wolterskluwer.com.

Published by Wolters Kluwer in New York.

Wolters Kluwer Legal & Regulatory U.S. serves customers worldwide with CCH, Aspen Publishers and Kluwer Law International products.

Printed in the United States of America

ISBN 978-1-5438-1864-2
ISSN 1538-876X

1 2 3 4 5 6 7 8 9 0

About Wolters Kluwer Legal & Regulatory U.S.

Wolters Kluwer Legal & Regulatory U.S. delivers expert content and solutions in the areas of law, corporate compliance, health compliance, reimbursement, and legal education. Its practical solutions help customers successfully navigate the demands of a changing environment to drive their daily activities, enhance decision quality and inspire confident outcomes.

Serving customers worldwide, its legal and regulatory portfolio includes products under the Aspen Publishers, CCH Incorporated, Kluwer Law International, ftwilliam.com and MediRegs names. They are regarded as exceptional and trusted resources for general legal and practice-specific knowledge, compliance and risk management, dynamic workflow solutions, and expert commentary.

WOLTERS KLUWER SUPPLEMENT NOTICE

This product is updated on a periodic basis with supplements and/or new editions to reflect important changes in the subject matter.

If you would like information about enrolling this product in the update service, or wish to receive updates billed separately with a 30-day examination review, please contact our Customer Service Department at 1-800-234-1660 or email us at: *customer.service@wolterskluwer.com*. You can also contact us at:

**Wolters Kluwer
Distribution Center
7201 McKinney Circle
Frederick, MD 21704**

Important Contact Information

- To order any title, go to *www.WoltersKluwerLR.com* or call 1-800-638-8437.
- To reinstate your manual update service, call 1-800-638-8437.
- To contact Customer Service, e-mail *customer.service@wolterskluwer.com*, call 1-800-234-1660, fax 1-800-901-9075, or mail correspondence to: Order Department—Wolters Kluwer, PO Box 990, Frederick, MD 21705.
- To review your account history or pay an invoice online, visit *www.WoltersKluwerLR.com/payinvoices*.

*To Susan. You are the beacon in my life that continues to keep me
on course. I cannot imagine what life would be without you.*

Greg

PREFACE

It is really difficult for us to imagine that with the *2020 Licensing Update* we have now completed twenty books in this series of “licensing annuals.” It doesn’t seem that long ago that we first made the proposal to Aspen Law and Business Press about doing an annual publication on licensing and had to convince the powers that be that there was a sufficient audience for such a work. We intended then and continue to believe now that there is a need in the licensing and intellectual property community to provide a timely publication that reports on the latest changes in licensing during the past year. We hope that the *Licensing Update* continues to fill that void. We believe that the publication has grown substantially over the years in both depth and acceptance by members of the community as a valuable and timely resource for good, practical information.

When we launched the first issue of the “Update,” we were fortunate to find some of the leading experts in the licensing community to contribute their time and talent to join us. We have perhaps been even more fortunate in that many of the original contributors have continued with us since the first issue. Many of these same individuals are also columnists and authors in *The Licensing Journal*, our monthly publication in the area, and they continue to share their insights and secrets so that we can all learn more about this subject.

Since the first edition, we have tried to provide readers with an overview or snapshot of the most significant events in the licensing industry during the past year. The approach must be successful since the subscriber list grows every year and we continue to receive favorable reviews and compliments on the work from our readers and peers. We hope that you will enjoy this volume as much as earlier editions.

As explained in earlier editions, the concept of an “Update” or licensing annual found its genesis when we first started *The Merchandising Reporter* in 1982 (the predecessor to *The Licensing Journal*). This series has been the culmination of that initial thought—a volume that contained the highlights of licensing during the past year so that the reader could easily and quickly educate himself or herself on what happened during the past 365 days. We are all busy and immersed in our own businesses and frequently lack the time to keep abreast of the latest events. It is our hope that this volume will give both the licensing professional and lawyer the opportunity to remain current in his or her chosen field.

We truly understand that there is tremendous competition for the reader’s time and bookshelf space as more and more publishers offer more and more works on intellectual property and licensing topics. In this context, we are quite

pleased with the response from readers. We understand that this volume will not replace these other sources of information. We have, instead, tried to synthesize the vast amount of information currently available to the industry at large into a single source of the most pertinent information, which the reader can go through in a single session or, alternatively, leave on the bookshelf until a problem should surface in the area.

The contributors continue to perform at the highest level, which is no easy feat. As a serialized publication continues, one is always concerned about whether a regular contributor or author has simply run out of things to say. Candidly, that is always a problem, and we are quite sensitive to this fact. The ability to maintain high quality for many years is far more difficult than simply writing a single excellent article. After reading the articles that these individuals have submitted, we are happy to announce—yet one more time—that they are all timely and very well done. While we are not sure how each and every one of these authors is able to continue to contribute at this level, we are certainly happy that they can.

The purpose of a preface is to tell the readers what they might otherwise have missed from the promotional material but, more importantly, to thank all of those individuals who have contributed to this effort.

To our authors and contributors—this work would not have been possible without your excellent contributions. As authors ourselves, we understand and appreciate, perhaps better than anyone, the work that goes into preparing such a chapter. We, therefore, extend to you our deepest and warmest thanks.

To the associates and staff members of our firms, we appreciate the extra time and effort that went into your contributions. We understand that much of the time that you spent on these chapters was at the expense of other things in your life and we are grateful.

Special thanks must be expressed to the outstanding job done by our editor Michelle Houle who took responsibility for the organization of the work and did the initial edit. Michelle had the difficult task of dealing with both our individual authors and with the editors at Aspen—one that put her between conflicting deadlines on a daily basis. She did this with skill and excellence and was able to satisfy everyone—a very tall order.

We would also like to express our appreciation to Susan Gruesser for the excellent and timely job she has done in laying out this book on a very tight deadline and giving it one last edit before it goes to press. Thanks should also be extended to our former editors, Matt Gallaway and Rob Gessinger; their assistance and continued support have been greatly appreciated.

We also thank Michelle Virzi and Rick Kravitz at Aspen who had the initial vision to see the possibilities for a publication such as this. Their encouragement on this and other publications we do for Aspen has been greatly appreciated. Candidly, without their support and subtle cajoling, this publication would not be possible.

PREFACE

Lastly, we thank you, the reader, for supporting this work and coming back for more. We continue to seek feedback from you. What subjects would you like to see covered in future issues? What did you like about this issue? What didn't you like? We value your comments.

GJB and CWG

ABOUT THE EDITORS

Gregory J. Battersby holds an A.B. (bio-chemistry) from Seton Hall University and a J.D. from Fordham University School of Law. He is a member of the New York and Connecticut Bars and is admitted to practice as a patent attorney before the United States Patent and Trademark Office. He is managing member of The Battersby Law Group, LLC, 25 Poplar Plain Road, Westport, CT 06880 (203) 454-9646, which specializes in intellectual property and licensing law with a particular emphasis on merchandising law and toy licensing. Mr. Battersby has been a guest lecturer at the Franklin Pierce Law School, University of Connecticut Law School and Quinnipiac Law School and serves as General Counsel for the International Licensing Industry Merchandiser's Association (LIMA). He has been a Vice President and member of the Board of Directors of The New York Intellectual Property Law Association.

Charles W. Grimes holds a B.S. (engineering mechanics) from Pennsylvania State University and a J.D. from the University of Denver School of Law. He is a member of the Illinois, New York, Connecticut, and Florida Bars and is admitted to practice as a patent attorney before the United States Patent and Trademark Office. He is managing partner of Grimes, LLC, 3501 Bonita Bay Blvd., Bonita Springs, FL 34134, 239-330-9000, which specializes in intellectual property law with a particular emphasis on trademarks, licensing and litigation. Mr. Grimes is an Adjunct Professor at Ava Maria Law School and has served on the Editorial Board of *The Trademark Reporter*.

The two have written and lectured on a variety of intellectual property issues. They have authored *The Law of Merchandise and Character Licensing*, *Licensing Law Handbook*, *Multimedia and Technology Licensing Agreements: Forms and Commentary*, *Drafting Internet Agreements*, *License Agreements: Forms and Checklists*, *Licensing Desk Book*, *Licensing Royalty Rates*, *Licensing Update*, *A Primer on Technology Licensing*, *Patent Disputes: Litigation Forms and Analysis*, *The Toy & Game Inventor's Guide*, and *Trademark Disputes: Litigation Forms and Analysis*. They serve as Executive Editors of *the Licensing Journal* and *the IP Litigator*. They are recognized as the leading experts on the subject of merchandising law.

ABOUT THE CONTRIBUTORS

Robert Ambrose (@rambrose) is the Director of Strategy and Business Development at FADEL, a global provider of enterprise-class intellectual property rights and royalty management software. He works with media, entertainment, publishing, and high-tech companies to transform their approach to exploiting content, brands, and intellectual property (IP). Previously, Mr. Ambrose worked as a broadcast journalist, media technology consultant, and industry analyst.

Griffin M. Barnett is an Associate with Winterfeldt IP Group. Griffin's practice focuses on trademark and Internet matters, particularly digital enforcement issues such as domain name disputes (including UDRP complaints and similar administrative proceedings to recover or disable infringing domain names) and ICANN-related issues, including the new gTLD program. Griffin currently chairs the International Trademark Association's Subcommittee on the Rights Protection Mechanism Review and is an active member of ICANN's Intellectual Property Constituency.

Christie Bates is an associate in the McMillan's Intellectual Property and Technology Group in Toronto. She is developing a broad practice in intellectual property litigation, as well as in trademark, copyright, and patent law.

James W. Brady, Jr. is a partner in the IP practice group at Blank Rome, LLP. He focuses on IP law in the chemical, pharmaceutical, and biotechnology industries. Mr. Brady has served as lead IP counsel to a wide range of chemical, pharmaceutical, and biotechnology companies. He has successfully advised clients in litigation and business transactions as well as in developing strategies to position the companies and their IP portfolios to succeed in these highly competitive industries. His technical knowledge encompasses polymers, environmental processes, pharmaceutical compounds, drug delivery technology, diagnostics, antibodies, vaccines, genomics, proteomics, medical devices, and alternative energy, among others.

Sheldon Burshtein is a partner with Blakes, Cassels & Graydon LLP based in Toronto. He has been certified by The Law Society of Upper Canada as a specialist in IP law, particularly in the areas of patent, trademark, and copyright practice. He is also a registered patent and trademark agent in Canada. Mr. Burshtein's practice includes the clearance, prosecution, acquisition, enforcement, and exploitation of patents, trademarks, copyright, industrial designs and other forms of IP. A significant portion of his practice is devoted to counseling on IP, technology, electronic commerce and social media. His primary focus is

licensing and other transactions involving technology, including life sciences and information technology, and other IP rights, including in the sports and entertainment industries. Mr. Burshtein regularly advises on IP matters affecting every industry sector and represents clients in all technology sectors.

Robb Chase is a tax partner with Eversheds Sutherland (US) LLP. He is resident in the firm's Washington, D.C. office.

Kimberly Culp is a litigator in the IP, Advertising and Marketing, and Trademarks and Brand Protection Practice Groups at Venable, LLP. She has successfully represented and counseled clients in state and federal courts in high stakes complex commercial, trademark, patent and false advertising, trade secrets, and class action defense matters.

Rebecca Eisner is a Co-leader of Mayer Brown's global Technology Transactions practice and is a member of the firm's Global Management Committee. Rebecca has over 25 years of experience representing clients in hundreds of matters in technology transactions, including digital transformation, data, software, outsourcing, and data privacy and security.

Eric Fanchiang is an associate in Crowell & Moring's Irvine, CA office and a member of the firm's antitrust and commercial litigation groups. His practice focuses on both defense-side and plaintiff-side antitrust litigation in a variety of markets including technology and transportation.

Jed Ferdinand is the founding member of Ferdinand IP Law Group, an intellectual property and licensing boutique law firm with offices in New York, San Diego, Silicon Valley and Westport, CT, and serves as an Adjunct Professor at Fordham Law School in New York.

Olivia Ferdinand is a student at Harvard University who interns at Ferdinand IP Law Group in Westport, CT.

Peter Giddens is a Partner in the Toronto office of McMillan and Co-Chair of the firm's Intellectual Property Group. Peter counsel's clients concerning the acquisition, clearance, management, protection, enforcement and licensing of intellectual property, with a particular emphasis on trade-mark, copyright and domain name issues.

Laura Adriana Grinschgl LL.M. (QMUL) specializes in IP and Tech Law matters at Freshfields Bruckhaus Deringer LLP in Vienna (Austria).

Roman Golovatsky is a Legal Director with DLA Piper in St. Petersburg, Russia and specializes in civil law, intellectual property law, antimonopoly law and advises Russian and international companies on a wide range of issues. Roman possesses extensive litigation and arbitration practice on traditional business disputes. Roman is registered as a patent attorney in the Russian Federation and is a recognized expert in the development and practical implementation of comprehensive defence measures for intellectual property owners and of the means of individualization in Russia and the CIS, including measures to combat illegal import of goods containing intellectual property.

Jennifer P. Gore, Winterfeldt IP Group's Internet Policy Specialist, leads the firm's policy and advocacy efforts on behalf of brand owners. Jennifer has

ABOUT THE CONTRIBUTORS

been working in the domain industry for over two decades, and previously held senior leadership roles with major Internet registries and registrars, as well as with ICANN. She is an active member of ICANN's Intellectual Property Constituency.

Brad Hanna is a partner at McMillan LLP who Co-Chairs the firm's Franchise and Distribution Group as well as the International Arbitration Group. His practice consists of complex corporate commercial litigation with a particular focus on franchise and distributorship disputes. He represents Canadian and international franchisors before all levels of courts in Canada. As a Fellow of the Chartered Institute of Arbitrators, he also has expertise in alternative dispute resolution techniques and routinely acts as counsel in mediations and both domestic and international commercial arbitrations.

Jessica Hannah is an associate at Finnegan. She focuses on trademark litigation and prosecution, client counseling, false advertising, and portfolio management related to a broad range of industries, including consumer goods, food and beverage, media, and sports and fitness. She assists with counseling clients on the selection, registration, maintenance, portfolio management, and enforcement of trademarks in the United States and abroad. Jessica is involved in cases before the federal trial courts and the TTAB.

B. Brett Heavner is a partner at Finnegan, Henderson, Farabow, Garrett & Dunner, LLP whose practice includes all aspects of trademark and unfair competition law, with particular emphasis on trademark infringement, counterfeiting, false advertising litigation, and Trademark Trial and Appeal Board (TTAB) litigation. His clients include pharmaceutical companies, medical device manufacturers, banking and financial services institutions, major trade associations, food product companies, and petroleum exploration and refining companies.

Mark Hess is the Vice President of Client Relationship Management at IMC Licensing.

John F. Hornick is an IP counselor and litigator based in Finnegan's Washington D.C. headquarters. Based on his 30+ years of experience, he counsels clients on virtually every aspect of IP law, from licensing to litigation. He has litigated close to 100 IP cases in more than 30 U.S. federal courts in 18 states, five U.S. Circuit Courts of Appeals, the U.S. Supreme Court, the U.S. International Trade Commission (ITC), and others. He has appeared before more than 100 judges, arbitrators, and mediators and has tried every type of IP case. He has successfully avoided litigation for clients in hundreds of other disputes. His passion is the IP issues of 3D printing/additive manufacturing. Mr. Hornick started the firm's 3D printing initiative and founded Finnegan's 3D Printing Working Group. Mr. Hornick advises and educates clients about 3D printing and the IP issues of this rapidly developing and potentially disruptive technology, and how it may affect their businesses, both offensively and defensively. Mr. Hornick closely follows the industry, frequently speaks and writes on 3D printing and its potential effects on IP law and the world, and has been recognized as a thought leader in this space. His articles have been published at

www.3DPrintingIndustry.com, in the *Journal of 3D Printing & Additive Manufacturing*, for which he serves on the Editorial Board, and in *Wired Innovation*, and he writes a column for *3D Printing World*, published in English and Chinese. He was the only IP attorney selected by the National Academies to participate in the U.S. Comptroller General Forum on Additive Manufacturing (which will be the basis of a report to the U.S. Congress), and was invited by the National Association of Attorneys General to participate in its 3D printing initiative. Mr. Hornick also serves on the Advisory Board of Advanced Manufacturing Insight and as a juror for the International Additive Manufacturing Award.

Thomas Huthwaite is a Team Leader and Senior Associate at New Zealand firm Baldwins Intellectual Property. He is a New Zealand barrister and solicitor, a New Zealand and Australian Registered Patent Attorney, and an Australian Registered Trade Mark Attorney. He specializes in dispute resolution and commercialization, taking an active interest in all areas of intellectual property, with a particular interest in copyright law. Thomas has represented clients at all levels of the New Zealand Courts, the New Zealand and Australian Intellectual Property Offices, the WIPO Arbitration and Mediation Center, and the New Zealand Dispute Resolution Service.

Christine G. Ing is Co-Practice Group Leader of the Blakes Law Firm's Information Technology group. Her practice focuses on commercial transactions involving information technology and IP.

Chrissie Jamieson is VP Marketing at MarkMonitor, UK. She has over 15 years of experience in the business intelligence, brand protection and domain sector and has worked to develop the MarkMonitor brand internationally. Through her career, Chrissie has been responsible for the Marketing leadership and market development of major technology businesses such as Information Builders. Chrissie holds a degree in Marketing and Business Administration from Hertfordshire University and a Post Graduate in Strategic Management from Hertfordshire Business School.

Anne S. Jordan has 30+ years' experience advising large- and medium-sized corporations, both as a senior executive with responsibility for the corporations' legal affairs and as outside counsel. She is currently Of Counsel to the Chicago law firm Mandell Menkes, advising high-tech and consumer products companies on commercial transactions and IP strategy and enforcement matters. She also serves as a mediator and arbitrator on American Arbitration Association's and Institute for Conflict Prevention and Resolution's commercial panels. Prior to joining Mandell Menkes, Ms. Jordan served as the Senior Vice President, General Counsel and Secretary of PeopleSoft, Inc., the world's second largest provider of enterprise application software with annual revenues of approximately \$2.8 billion. Before that, she was the Vice President and General Counsel for Sega of America, Inc., a partner in the Palo Alto firm Carr & Ferrell, and Assistant General Counsel for Dole Foods, Inc., a \$2 billion food processing and real estate development corporation.

ABOUT THE CONTRIBUTORS

Paul C. Jorgensen is the founder and principal of The Jorgensen Law Firm in Washington D.C. Mr. Jorgensen's over 20 years of legal experience includes acting as a senior IP and contract counsel at the Washington D.C. law firm Patton Boggs LLP. Prior to his years with Patton Boggs, he was a Senior Intellectual Property Counsel with Choice Hotels International, Inc., where he managed a large worldwide portfolio of trademarks, copyrights, domain names and trade secrets, and where he designed and managed profitable licensing programs. Through this experience, he has successfully prosecuted many U.S. and international trademark, copyright, domain name applications, and has designed and negotiated hundreds of successful contracts and licenses.

Holger A. Kastler is an IP/IT attorney at Hyazinth LLP in Berlin, Germany. His practice focuses on technology transaction and disputes, in and out of court. He represents companies in licensing negotiations in a variety of industries.

Nicki Kennedy is a senior associate at Kilpatrick Townsend & Stockton LLP in Washington, D.C.

Samuel Kim is an associate at Ernst & Young in its Transaction Tax group. His work focuses on buy and sell side tax structuring and due diligence surrounding mergers and acquisitions in the private equity and media and entertainment sectors. Samuel can be reached at.

Lisa Kimmel is Senior Counsel at Crowell & Moring, LLP in Washington, D.C. Ms. Kimmel has nearly twenty years of experience as an antitrust lawyer and holds a Ph.D. in economics from the University of California at Berkeley. A former senior advisor at the Federal Trade Commission, her practice focuses on clients in the information and communications technology and digital commerce sectors, including issues at the intersection of antitrust and intellectual property law.

Justin Krieger is a patent partner at Kilpatrick Townsend & Stockton LLP in Washington, D.C. Mr. Krieger's practice focuses on client counseling, district court and patent office litigation, and patent prosecution. Mr. Krieger specializes in chemical patent matters.

Marc Lieberstein is the co-chair of Kilpatrick Townsend & Stockton LLP's Retail & Consumer Goods industry team. His practice focuses on intellectual property licensing and franchising in the retail/consumer goods and services areas, fashion/apparel and accessories, food and beverage, and commercial/industrial design, including the drafting, negotiation and enforcement of license and franchise documents and agreements, as well as implementation of branding and commercialization objectives for clients via licensing and franchising. In conjunction with the services above, he counsels clients on creating effective strategies for procuring, protecting and enforcing their global intellectual property assets. Marc has also participated in and used alternative dispute resolution forums such as arbitration and mediation to enforce intellectual property rights. Marc frequently lectures and writes on intellectual property issues for a variety of intellectual property organizations and publications, including International

Trademark Association (INTA), New York State Bar Association (NYSBA) Intellectual Property Section, American Bar Association Forum on Franchising, Wharton Business Law Association at the University of Pennsylvania, New York University, Association of the Bar of the City of New York Fashion Law Committee, Licensing Industry Merchandisers' Association (LIMA), National Law Journal, IP Strategist and The New York Law Journal, Practical Law, The Licensing Journal. Marc is recognized by Franchise Times as a "Legal Eagle".

Alistair Maughan is Co-Managing Partner of Morrison & Foerster's London office. He is co-chair of the Technology Transactions Group and a member of the Global Sourcing Group. Mr. Maughan focuses on commercial contracts and technology-based projects for major companies and public sector organizations.

Edward A. Meilman is senior counsel at Dickstein Shapiro, LLP in the Intellectual Property Practice. He focuses his practice on IP as it pertains to patents, trademarks, copyrights, and unfair competition. In the area of patent procurement, Mr. Meilman concentrates primarily on chemical, pharmaceutical, and biotechnology matters, but in the areas of litigation, counseling, licensing, and acquisition of rights, he handles matters pertaining to all technologies. He has practiced IP law for more than 45 years, both in corporate and private practice. He has obtained thousands of patents on behalf of clients, in addition to being the author of numerous patent, trademark, and copyright clearance, as well as validity and infringement opinions.

Patricia Ann Metzger is a Commissioner of the Massachusetts Appellate Tax Board. She is the author of numerous texts and articles on taxation, including the taxation of IP. Miss Metzger has served as an Associate Tax Legislative Counsel with the U.S. Treasury Department, vice chair-publications of the Tax Section of the American Bar Association, and a member of the Advisory Committee of the NYU Annual Institute on Federal Taxation.

Akkad Moussa is a student associate at Kilpatrick Townsend & Stockton, LLP.

Amy Mudge is an experienced attorney and partner in the Regulatory and Advertising and Marketing Practice Groups at Venable. She represents clients before the Federal Trade Commission (FTC), Department of Justice (DOJ), state attorneys general, and the National Advertising Division. Ms. Mudge is the co-editor of the blog allaboutadvertisinglaw.com (www.allaboutadvertisinglaw.com).

Daniel Nicholas is a tax partner with Eversheds Sutherland (US) LLP. He is resident in the firm's Washington, D.C. office.

Brad Peterson is a partner in Mayer Brown's Chicago office. He is a co-leader the firm's global Technology Transactions practice. Brad's practice focuses on data, digital, outsourcing and software transactions, with a particular emphasis on financial technology. His experience includes data licensing and analytics; digital services such as IaaS, PaaS, and SaaS; outsourcing of the full range of information technology (IT) and business process functions; and core

ABOUT THE CONTRIBUTORS

systems modernization, ERP and other software licensing, development and integration transactions.

Kathleen T. Petrich is a partner with Miller Nash, based in the firm's Seattle office. Ms. Petrich practices in the area of IP, including mechanical/electrical, electromechanical, design patent, and trademark prosecution. She counsels clients regarding their IP rights and strategizes with clients as to the protection and enforcement of those rights. She also litigates IP disputes, and provides clearing, registration, prosecution, opposition practice, portfolio management, opinion, due diligence, license, and settlement negotiations services. In addition, Ms. Petrich works in the green technology sector, with a special interest in clean transportation.

Caroline Reaves is a tax associate with Eversheds Sutherland (US) LLP. She is resident in the firm's Washington, D.C. office.

Dr. Lutz Riede LL.M. (UBC), LL.M. (IT-Law) specializes in IP and Tech Law matters at Freshfields Bruckhaus Deringer LLP in Vienna (Austria).

Randy Shaheen is a partner in the Regulatory and Advertising and Marketing Practice Groups at Venable LLP. He represents clients before numerous regulatory agencies including the FTC, state attorneys general, the Consumer Financial Protection Bureau, and the National Advertising Division. Mr. Shaheen is the co-editor of the blog allaboutadvertisinglaw.com (www.allaboutadvertisinglaw.com).

Katherine B. Shipe is with Kilpatrick Townsend & Stockton LLP in New York, NY and has assisted dozens of companies in structuring, forming, launching, and growing successful franchise programs in numerous industries for over 20 years. Kitt routinely counsels franchise companies and private equity on the purchase and sale of franchise systems and represents individual owners in the purchase and sale of existing businesses. In addition, she counsels clients on the purchase of franchise rights, assisting in the review of franchise disclosure documents, franchise agreements, development agreements, area representative agreements, and master rights agreements. Kitt started her career in law as an associate at Kilpatrick Townsend in its Atlanta, Georgia office where she concentrated her practice on licensing and franchising, securities, and mergers and acquisitions. She has also served as in-house counsel, where she was responsible for all legal matters for several internationally known franchise brands. Kitt is recognized by Franchise Times as a "Legal Eagle".

Wolfgang Schönig is a partner of Morrison & Foerster (International) LLP based in the firm's German office in Berlin. His practice specialty is advising on IP aspects relative to transactions in the digital, telecoms, high tech, life sciences, and pharmaceuticals industry, as well as legal representation in IP disputes.

Danny Simon, with better than 25 years of experience in licensing, has been responsible for numerous innovations in the licensing industry. Currently, Mr. Simon is President & CEO of The Licensing Group Ltd., a full-service licensing agency he formed 12 years ago. Prior to that, he served as head of the

licensing divisions at Twentieth-Century Fox, Lorimar Productions, and Carolco Pictures. He has also acquired an expertise in the foreign market by virtue of establishing a network of foreign licensing agents in almost every major market throughout the world. He is an active participant in international licensing, traveling extensively throughout Europe, South America, and the Asian markets. He has participated in significant numbers of domestic and international conferences on the subject of licensing, and for the past 12 years has taught a college level course on licensing as part of the UCLA Entertainment Extension program. Mr. Simon also provides expert witness services in cases involving licensing issues. In addition to the work in licensing, he recently formed WetWorks, LLC and is Executive Producer for the Matt Helm film now in development at DreamWorks Studios. He is a cofounder and past Vice President, West Coast, and past President of the licensing industry's international trade association, LIMA.

Christiana State is a legal executive with over 20 years of experience in the areas of technology and commercial transactions, product counseling, intellectual property, privacy and global litigation management. Christiana holds electrical engineering and law degrees from Santa Clara University. Christiana is also a certified CIPP privacy professional and registered to practice before the US Patent and Trademark Office. Christiana's experience includes advising start-up companies, as well as public corporations, in a variety of technology-related corporate matters and activities, including strategic partnerships, intellectual property management, open source, standards, corporate reorganizations, global patent licensing, including FRAND licensing, M&A diligence and marketing. Christiana is a frequent speaker at various conferences on intellectual property, litigation and privacy topics and has been a guest lecturer at Santa Clara University and University of San Francisco. Christiana has also served on the board of directors of various non-profit entities.

Carol Tello is a tax partner with Eversheds Sutherland (US) LLP. She is resident in the firm's Washington, D.C. office.

Cheryl Turnbull is the Senior Director of New Ventures in The Ohio State University Corporate Engagement Office. In her role, Cheryl is responsible for the creation and support of startup companies formed to commercialize technologies invented at Ohio State, with a current portfolio of 88 companies. Additionally, she has oversight for the university's \$100 million of investments in certain economic development funds including: Drive Capital, Ohio Innovation Fund, Rev1 Fund, Catalyst Fund V, Technology Concept Fund, NIT Innovations and Carmen Innovations.

David Wanetick is the Managing Director at IncreMental Advantage, a world renowned IP valuation firm. Mr. Wanetick is a thought leader in valuing emerging technologies and intangible assets such as patents, trademarks, copyrights, customer lists, and contracts. His clients include leading technology transfer offices, solo inventors, Fortune 100 companies, mid-sized companies, law firms, incubators, venture capital, and private equity firms. His valuations are

ABOUT THE CONTRIBUTORS

conducted for licensing, capital raising, tax reporting, and litigation support purposes.

He developed the widely acclaimed Total Valuation Extraction methodology for assessing the value of emerging technologies as well as the Patent Valuation Gauntlet for determining the value of patents. He has written several books on investing and his articles have been published in virtually all of the intellectual property, accounting, IP law, and valuation publications in the United States, Canada, and the United Kingdom. He lectures on the Valuation of Emerging Technologies all over the United States as well as in Canada, the United Kingdom, the Netherlands, Belgium, Germany, and Israel.

Tyson Winarski is a patent law professor with the Sandra Day O'Connor College of Law at Arizona State University and the University of San Francisco School of Law where he teaches Patent Licensing and Monetization. Tyson also serves on the Board of Directors for the Grand Canyon Conservancy, the official non-profit partner of the Grand Canyon National Park. For nearly 8 years, Tyson also served as a Senior Licensing Attorney for Intellectual Ventures developing and executing patent monetization programs through assertion-based licensing strategies and negotiating licensing agreements. Tyson also worked for seven years with Steptoe and Johnson LLP and Pillsbury Winthrop in Washington, D.C. Tyson's patent practice has included patent litigation in Federal District Court and the International Trade Commission under Section 337, opinions on validity and infringement, all phases of patent preparation and prosecution, portfolio due diligence for mergers and acquisitions as well as IPO S-1 statements, patent reexamination proceedings, and copyright and trademark litigation and licensing. In addition, Tyson has testified as an expert witness on licensing in Federal District Court and has served as a court appointed arbitrator. Tyson is also the inventor of 25 patents, 11 of which have been purchased by various companies including Google. Tyson's inventions include blockchain technologies, nanotechnologies, graphene coated optic fibers and lasers, anti-terrorist laser devices, and renewable energies. Tyson is widely published on IP matters with IAM-Intellectual Asset Management Magazine, IEEE Magazine, the American Intellectual Property Law Association (AIPLA), and Wolters Kluwer publishers. Tyson has also been a frequent lecturer on patent matters at AIPLA, Practising Law Institute, IEEE Conferences, European Nano Systems NSTI, the San Francisco Intellectual Property Law Association, and the Arizona Bar Association. A graduate of the Sandra Day O'Connor College of Law at Arizona State University, Tyson is a registered patent attorney holding a BSME and MSEE. Tyson can be reached at tywinarski@gmail.com.

Brian J. Winterfeldt, the Founder and Principal of Winterfeldt IP Group, has been practicing trademark law for nearly two decades. His expertise encompasses both traditional trademark portfolio matters and brand-related digital issues, as well as ICANN issues and other Internet policy matters. Brian is currently President of ICANN's Intellectual Property Constituency, a member of the USPTO's Trademark Public Advisory Committee, a panelist with the World

Intellectual Property Organization for the UDRP, and a member of the International Trademark Association's Anti-Counterfeiting Committee.

Mark Wittow is a partner at K&L Gates LLP, where he leads the firm's intellectual property/technology transactions and data protection practice group. His work focuses on complex intellectual property and technology transactions of all types, as well as electronic commerce and content licensing issues and data privacy and data protection compliance. Mark can be reached at mark.wittow@klgates.com and further information about him is at <http://www.klgates.com/mark-h-wittow/>.

Chelsea Wong is a Solicitor at Baldwins Intellectual Property. She is a New Zealand barrister and solicitor specializing in intellectual property advice and dispute resolution. Chelsea has experience across a range of industries, including having worked in the public sector advising on copyright policy, and several years as a project manager in music education and outreach for one of New Zealand's largest arts organizations. Chelsea is a violinist and musicologist, with a music degree and law (honors) degree from the University of Auckland, New Zealand. She has a particular interest in music copyright and issues that affect the creative sector.

Yinfei Wu is an associate at Finnegan and has significant experience in both United States and China trademark and copyright law. She advises clients and works closely with counsel around the world on trademark usage, clearance, prosecution, domestic and worldwide portfolio management, litigation, and enforcement matters. Ms. Wu also handles cancellation and opposition proceedings before the TTAB.

Karl Zeswitz is a tax partner with Eversheds Sutherland (US) LLP. He is resident in the firm's Washington, D.C. office.

CONTENTS

A complete table of contents for each chapter is included at the beginning of the chapter.

Chapter 1

INTRODUCTION

Gregory J. Battersby

- § 1.01 Introduction
- § 1.02 The Licensing Industry—The Highlights
- § 1.03 The 2020 Licensing Update—An Overview

Chapter 2

TRADEMARK LICENSING

B. Brett Heavner, Yinfei Wu, and Jessica Hannah

- § 2.01 Introduction
- § 2.02 Quality Control and Naked Licensing Issues
- § 2.03 Terms and Terminations
- § 2.04 Licensee Standing to Sue and Jurisdiction Over Licensor
- § 2.05 License Estoppel Issues
- § 2.06 Bankruptcy and Termination of Trademark Licenses
- § 2.07 Conclusion

Chapter 3

COPYRIGHT LICENSING

Thomas Huthwaite and Chelsea Wong

- § 3.01 Copyright Protection
- § 3.02 Year in Review

Chapter 4

PATENT LICENSING

Tyson Winarski and Christiana State

- § 4.01 Introduction
- § 4.02 Licensing of Standard Essential Patents
- § 4.03 Controlling Where Patents Are Challenged
- § 4.04 Explicit Language Is Needed on whether Sublicenses Survive Termination of the Primary License Agreement

- § 4.05 Patent Licensing Language Interpretation: “Covered by One of the Licensed Patents” Is Unambiguous and Applies Only to Transactions That Infringe Licensed Patents
- § 4.06 The Term “Final” in Audit Clauses Not the Final Word on Whether Audits Related to Patent Licensing Agreements Could Be Challenged

Chapter 5

TRADE SECRET LICENSING: THE CHANGING LANDSCAPE AND POTENTIAL OPPORTUNITIES IN PATENTING TRADE SECRETS

Justin Krieger, Nicki Kennedy, and Akkad Moussa

- § 5.01 Introduction
- § 5.02 Trade Secret vs. Patent
- § 5.03 Changes Presented by the AIA
- § 5.04 Changes Presented by the DTSA
- § 5.05 Global Intellectual Property Audit
- § 5.06 Conclusion

Chapter 6

LICENSING MARKETS

Danny Simon, Cheryl Turnbull, Rebecca Eisner, Brad Peterson, Marc Lieberstein, Katherine B. Shipe, Robb Chase, Daniel Nicholas, Carol Tello, Karl Zeswitz, and Caroline Reaves

- § 6.01 Character and Entertainment Licensing
- § 6.02 University Licensing
- § 6.03 Technology Licensing: AI
- § 6.04 Franchising
- § 6.05 Cloud Transactions: No Longer Up in the Air? Regulations Are Released

Chapter 7

INTERNATIONAL LICENSING

Anne S. Jordan, Wolfgang Schönig, Alistair Maughan, Holger A. Kastler, Peter Giddens, Christie Bates, Brad Hanna, and Roman Golovatsky

- § 7.01 Fundamentals of International Licensing in Today’s Marketplace
- § 7.02 European Union: Digital Single Market Update
- § 7.03 Canada: Milano Pizzeria Case Study
- § 7.04 Russia: The Supreme Court Clarifies Intellectual Property Legislation

CONTENTS

Chapter 8

MARKETING, ADVERTISING, AND PROMOTING LICENSED PRODUCTS

Gregory J. Battersby, Kimberly Culp, Amy Mudge, and Randy Shaheen

- § 8.01 The Basics of Marketing, Advertising, and Promoting Licensed Products
- § 8.02 New Media Affords New Ways to Deliver Advertising and Branded Content—And New Challenges

Chapter 9

TRENDS IN LICENSING

Gregory J. Battersby, John F. Hornick, Lutz Riede, Laura Adriana Grinschgl, Brian J. Winterfeldt, Griffin M. Barnett, and Jennifer P. Gore

- § 9.01 Royalty Rate Trends
- § 9.02 IP Licensing in a 3D Printed World
- § 9.03 Digital Transformation: Managing IP Rights Through the Blockchain
- § 9.04 GDPR: The Consequences on Online Due Diligence and Intellectual Property Enforcement

Chapter 10

ADMINISTRATION AND PRACTICE

Edward A. Meilman, James W. Brady, Jr., Kathleen T. Petrich, Gregory Battersby, Mark Hess, Paul C. Jorgensen, David Wanetick, Sheldon Burshtein, Christine G. Ing, Robert Ambrose, Chrissie Jamieson, Mark Wittow, and Samuel Kim

- § 10.01 Due Diligence in Transactions Involving Intellectual Property
- § 10.02 Quality Control: Focus on Trademark Licensing
- § 10.03 Running a Licensing Program
- § 10.04 Working with Licensing Agents and Consultants
- § 10.05 Drafting 11 License Provisions in License Agreements to Minimize Risks and Disputes
- § 10.06 Winning Negotiations Before They Begin
- § 10.07 The Challenges of Structuring and Negotiating Collaboration Agreements for Combination Products
- § 10.08 The Licensing Audit
- § 10.09 Uncovering the True Scale of the Counterfeit Problem—and How Brands Can Fight Back
- § 10.10 Provisions for Resolving Licensing Disputes: Substantive and Procedural Considerations and Sample Clauses

Chapter 11

BANKRUPTCY PROCEEDINGS: THE LEGAL AND LICENSING IMPLICATIONS OF THE SUPREME COURT’S RULING IN THE *MISSION PRODUCTS* CASE

Jed Ferdinand and Olivia Ferdinand

- § 11.01 Introduction
- § 11.02 Background
- § 11.03 The Court’s Decision in Mission Products
- § 11.04 Implications of Mission Products and Open Questions
- § 11.05 Conclusion

Chapter 12

TAX PLANNING CONSIDERATIONS FOR THE INDIVIDUAL DEVELOPER OF INTELLECTUAL PROPERTY

Patricia Ann Metzger

- § 12.01 Overview
- § 12.02 Giving Up all Substantial Rights to Property
- § 12.03 Employed Inventors
- § 12.04 Donating Intellectual Property to Charity
- § 12.05 Cross-Licensing
- § 12.06 Estate and Gift Taxation
- § 12.07 Overall Observations Relevant to an Individual Inventor

Chapter 13

ANTITRUST AND INTELLECTUAL PROPERTY LICENSING

Lisa Kimmel and Eric Fanchiang

- § 13.01 Introduction
- § 13.02 Antitrust Law in the United States
- § 13.03 Overview of the Intersection of Antitrust and IP
- § 13.04 Antitrust and IP Licensing
- § 13.05 Recent Highlights and Matters to Watch in 2020
- § 13.06 Conclusion

Table of Cases

Index

CHAPTER 2

TRADEMARK LICENSING

B. Brett Heavner, Yinfei Wu and Jessica Hannah

§2.01 Introduction

§2.02 Quality Control and Naked Licensing Issues

§2.03 Terms and Terminations

§2.04 Licensee Standing to Sue And Jurisdiction Over Licensor

§2.05 Licensee Estoppel Issues

§2.06 Bankruptcy and Termination of Trademark Licenses

§2.07 Conclusion

§2.01 INTRODUCTION

Trademark licensing is the process by which a trademark owner (*i.e.*, the licensor) allows another (*i.e.*, the licensee) to make, sell, and distribute goods or services under the licensor's trademark. It is one of the most effective ways to maximize the value of and expand geographically the goodwill associated with licensor's trademark. In 2019, the United States Supreme Court issued a much-anticipated opinion in a trademark licensing and bankruptcy case. The Fifth, Tenth, and Eleventh Circuit Courts addressed various important issues relating to trademark licensing agreements. The Southern District of New York and the Central District of California had trademark licensing decisions to make that attracted much attention. This chapter reviews these prominent 2019 trademark licensing cases addressing naked licensing and quality control, terms and termination, standing and jurisdiction, licensee estoppel, and the effect of bankruptcy on licensing.

§2.02 QUALITY CONTROL AND NAKED LICENSING ISSUES

In the United States, quality control is a fundamental element in all trademark licensing agreements. Controlling the quality of the licensed products (1) ensures that the trademark owner is the “source” of those products, and (2) prevents the public from being misled into thinking it will receive the same quality product from a licensee when it is in fact of inferior quality to the licensor's product. Insufficient quality control, also called “naked licensing,” will lead to the abandonment of the licensed mark.¹ Not surprisingly, the proponent of a naked license theory of trademark abandonment must meet a stringent standard of proof.²

In *Godigital Media Group, LLC v. Godigital, Inc.*,³ the Central District Court of California concluded

¹See *Barcamerica Int'l USA Tr. v. Tyfield Imps., Inc.*, 289 F.3d 589, 598 (9th Cir. 2002), and *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509, 516 (9th Cir. 2010) (Naked licensing is “inherently deceptive and constitutes abandonment of any rights to the trademark by the licensor.”).

²*Barcamerica*, 289 F.3d at 596.

³*Godigital Media Grp., LLC v. Godigital, Inc.*, No. LACV 17-07796-VAP (MRWx), 2019 U.S. Dist. LEXIS 76415 (C.D. Cal. Mar. 13, 2019).

that a licensee was not entitled to summary judgment that the licensor had abandoned the licensed mark through naked licensing. In 2012, Plaintiff GoDigital Media Group, LLC (“Licensor”) licensed its registered trademark, GODIGITAL MEDIA GROUP (the “Licensed Mark”), to defendant GoDigital, Inc. (“Licensee”). The parties had close ties: Licensor, through its subsidiary, was a minority shareholder in the Licensee's predecessor in interest, and Licensor's co-founder became the first CEO of Licensee's predecessor in interest. The license agreement was an oral agreement, with its sole term that Licensee could use the Licensed Mark until Licensor revoked its permission.

In April 2017, Licensor sent Licensee a letter terminating the license and demanding that Licensee stop using the Licensed Mark. After Licensee continued to use the Licensed Mark, Licensor sued Licensee for trademark infringement, among other claims. The defendant Licensee asserted three affirmative defenses: trademark abandonment based on naked licensing, acquiescence, and laches. Defendant Licensee unsuccessfully moved for summary judgment on the issue of “naked licensing.” The court found that the Licensor had raised a genuine issue of material fact sufficient to defeat summary judgment as to each consideration in the naked licensing analysis: whether Licensor (1) retained contractual rights to control the quality and use of its trademark; (2) actually controlled the quality of the trademark; and (3) reasonably relied on Licensee to maintain the quality.

The Licensee asserted that Licensor had abandoned the Licensed Mark because the informal, oral agreement between the parties “did not give Plaintiff any contractual right to supervise or control [Licensee's] operations.”⁴ Under Ninth Circuit precedent, “[t]he absence of an agreement with provisions restricting or monitoring the quality of goods or services produced under a trademark supports a finding of naked licensing.”⁵ However, the court stated that although Licensor “did not have a contractual right to supervise or control [Licensee's] operations, there is a genuine dispute as to whether [Licensor] retained a continuing right under the License to control [Licensee's] use of the mark in connection with those operations.”⁶ Because the oral agreement could be revocable at will, the court found that the Licensor could have retained a continuing right to control the trademark's use in connection with the Licensee's operations. This right to control the trademark's use could satisfy the first prong of the analysis, even in the absence of an express contractual right to inspect and supervise the Licensee's operations.

Licensor also presented evidence that it satisfied the second prong of the analysis: whether it exerted actual control over the use of the Licensed Mark. As a member of Licensee's board of directors, Licensor had access to information about Licensee's services, and one of Licensor's subsidiaries had entered into contracts with Licensee. Additionally, Licensor had repeatedly—and unsuccessfully—requested information from Licensee that may have involved the use of the Licensed Mark. Because of the proximity and relationship of the parties, a jury could find that Licensor sufficiently supervised the quality of Licensee's services offered under the Licensed Mark. Moreover, a jury could find that Licensor reasonably relied on the information available to it, considering the Licensee's refusal to provide Licensor with the requested information.

The proximity and relationship between the parties also informed the third prong of the analysis: the reasonable reliance on Licensee's quality control measures. Because Licensor was familiar with Licensee, it was reasonable for Licensor to rely on Licensee's own quality control measures. Moreover, a jury could reasonably conclude that Licensor acted promptly to terminate the license once Licensee's quality control measures suffered. After the court denied Licensee's motion for summary judgment, the parties stipulated to the dismissal of the case.

Given the high bar for proving naked licensing, counsel should pay particular attention to the elements of the claim. A claim of naked licensing fails when there is proof that: (1) the license included

⁴*Id.* at *9.

⁵*Id.*

⁶*Id.* at *9–10 (emphasis in original).

an express contractual right to inspect and supervise the operation of the licensee; (2) the licensor maintained actual control over the licensee's use of the mark; and (3) the licensor and licensee were involved in a close working relationship such that quality control was established despite the lack of a formal agreement or contract.⁷ However, the absence of an agreement with provisions restricting or monitoring the quality of goods or services under a trademark produced supports a finding of naked licensing. Further, the reliance on a licensee's quality control alone is insufficient to prevent a finding of naked licensing.

When drafting and implementing a quality control provision, the license agreement should purport to state the minimum quality standard and, in advance of the production schedule, set forth a timetable for the licensee to submit its product samples for the licensor's review and written approval. It should not only specify the licensor's right to routinely inspect licensee's manufacturing facilities and review customer comments in order to monitor the quality of licensee's products and its compliance, but also describe the procedure for product inspection and the criteria for approval. Further, the licensing agreement should dictate that the licensed trademark be removed from any products below the minimum quality standard. It is also advisable that a licensor keep records of its efforts in maintaining quality control as evidence against the invalidity challenge in the future.

§2.03 TERMS AND TERMINATIONS

In *Mrs. Fields Franchising, LLC v. MFGPC*,⁸ the Tenth Circuit reversed a preliminary injunction entered in favor of a licensee alleging “irreparable harm” when the licensor terminated a trademark licensing agreement one year into an automatically renewed, five-year licensing period.

Fields Franchising, LLC (“Licensor”) owns the rights to the MRS. FIELDS trademark and licenses the mark to third parties. MFGPC (“Licensee”) had the right to use the MRS. FIELDS trademarks on prepackaged popcorn products under an exclusive License Agreement with Licensor. The parties operated under the License Agreement for more than eleven years. The initial term of the License Agreement was sixty months. The Agreement “would then automatically renew for successive five year terms (‘Option Periods’) until such time as either party terminate[d] the Agreement upon no more than twenty (20) days prior written notice to the other party,”⁹ provided that the licensee was not in material default and had paid the royalties.

On December 22, 2014, Licensor notified Licensee in writing that Licensor considered the License Agreement to not have automatically renewed in 2013. Licensor cited Licensee's failure to pay royalties for several quarters and noncompliance with the License Agreements as cause for Licensor to terminate the License Agreement, to the extent the Agreement had automatically renewed. Licensee disputed that any royalties were due to Licensor. Rather than respond to Licensee's letter, Licensor filed a complaint seeking a declaratory judgment that the License Agreement had been properly terminated and was no longer in effect. In response, Licensee moved for preliminary injunction to terminate any license Licensor had entered into with other companies for the use of the MRS. FIELDS trademark on popcorn products, and to instead comply with the terms of the licensing agreement it had previously entered into with Licensee. The district court granted Licensee's preliminary injunction.

On appeal after remand, the Tenth Circuit found the district court to have erred in finding that the License Agreement was “effectively perpetual” absent material breach simply because it could be and was automatically renewed every five years. Instead, the Agreement allowed either party to prevent the renewal even in the absence of a material breach and specified several ways in which the parties could terminate the Agreement without cause. The Tenth Circuit held that the district court's erroneous

⁷*Barcamerica*, 289 F.3d at 596.

⁸*Mrs. Fields Franchising, Ltd. Liab. Co. v. MFGPC*, 941 F.3d 1221 (10th Cir. 2019).

⁹*Id.*, 941 F.3d at 1225.

conclusion that the license agreement was perpetual led to a flawed analysis of the likelihood of success and irreparable harm factors of the preliminary injunction test. Instead of suffering permanent damage from the breach of a perpetual license, Licensee's damages were easily calculated to the limited remainder of the five-year term. The Tenth Circuit also determined that the breach of the exclusivity clause, while usually warranting injunctive relief, did not, alone, satisfy the irreparable harm factor of the preliminary injunction test. Here, Licensee failed to show irreparable harm, because the license was not perpetual, and the parties' business records of more than a decade were available for an analysis of past profits and damage calculations. The Tenth Circuit accordingly reversed the preliminary injunction entered in favor of Licensee.

On December 9, 2019, the Tenth Circuit denied appellee and Licensee's petition for rehearing.

§2.04 LICENSEE STANDING TO SUE AND JURISDICTION OVER LICENSOR

License agreements between private parties can limit a licensee's ability to bring a claim under the Lanham Act. Courts generally look at the plain language of the agreement to determine whether the right to sue or enforce the trademark has been reserved to one party or another. On the other hand, the language in license agreements alone may not enable a court to exercise its personal, general, or specific jurisdiction over the licensor.

The Eleventh Circuit considered whether the language in a trademark license gave a trademark licensee standing to bring suit in the case of *Kroma Makeup EU, LLC v. Boldface Licensing + Branding, Inc.*¹⁰ *Kroma Makeup EU, LLC* (“Licensee”) received an exclusive license from *By Lee Tillett, Inc.* (“Licensor”) to sell and distribute KROMA-branded cosmetic products in Europe. Licensor retained exclusive rights to the KROMA mark in the United States for cosmetic products and had previously received a preliminary injunction against *Boldface Licensing + Branding, Inc.* (“Boldface”), based on the latter company's sale and distribution of KHROMA-branded cosmetic products in the United States. Licensee, which was not a party to the prior litigation, subsequently sued Boldface and the Kardashian sisters, who had endorsed the KHROMA-branded cosmetics in the E.U.

The Kardashians moved for summary judgment, asserting that Licensee lacked standing to bring the infringement action. The district court granted the motion, concluding that Licensee lacked contractual authority to enforce the trademark in its own capacity. The Eleventh Circuit applied the *Lexmark* test to determine whether the licensing agreement gave Licensee “sufficient rights in the name” of Licensor to sue under the Lanham Act.¹¹ Although Section 1125(a) of the Lanham Act affords a cause of action to “any person who believes that he or she is likely to be damaged,” the Supreme Court held in *Lexmark* that the statute is not so expansive so as to allow “all factually injured plaintiffs to recover.”

The Eleventh Circuit looked at the plain language of the licensing agreement to determine the parties' intent with respect to whether Licensor retained all enforcement rights. Specifically, the agreement required that Licensor “protect [the trademark] properly from any attempts of illegal use, to the best of his knowledge.” Licensor was also required to guarantee Licensee against any claims regarding the mark. Although Licensee maintained the exclusive right to use the mark, its only obligation regarding enforcement was to inform Licensor of any illegal use of the trademark. Therefore, the Eleventh Circuit read the agreement to mean that Licensee did not have the ability to sue in that proceeding. Accordingly, Licensee did not fall within the zone of interests protected by the Lanham Act. The Eleventh Circuit noted

¹⁰*Kroma Makeup EU, Ltd. Liab. Co. v. Boldface Licensing + Branding, Inc.*, 920 F.3d 704 (11th Cir. 2019).

¹¹*Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 129, 134 S. Ct. 1377, 188 L. Ed. 2d 392 (2014).

that its holding was in harmony with the rulings of other circuits that a license agreement between two parties can limit a licensee's ability to bring a claim under the Lanham Act.

On June 4, 2019, The Eleventh Circuit denied the petition for rehearing and rehearing *en banc*. The Supreme Court denied Petition for Writ of Certiorari in this case on October 15, 2019.

The Fifth Circuit recently rejected the “licensor theory” of personal jurisdiction in a trademark infringement case. Specifically, a trademark licensor is not subject to general or specific personal jurisdiction when its sole contact with the forum state is a non-exclusive license agreement with a licensee who manufactured, sold and/or distributed products there.

Plaintiff Diece-Lisa Industries, Inc. (“Plaintiff”) owned a word mark for “LOTS OF HUGS” for “[t]oys, namely puppets” and sold stuffed toy bears under that mark. Plaintiff sued numerous Disney entities for trademark infringement based on the allegedly infringing character “Lots-O-Huggin' Bear” (“Lotso”) in the movie Toy Story 3 and merchandise depicting Lotso. The Disney entities included retail entities that sold Lotso-branded merchandise, and two IP entities (“Licensor”) that owned the intellectual property rights and granted licenses to third parties, including the retail entities (“Licensees”).

Plaintiff first sued Licensees in the Eastern District of Texas and then Licensor in the same court two years later. Licensor sought to dismiss the case for lack of personal jurisdiction and improper venue, arguing that their licensing activities relating to Texas were insufficient to confer personal jurisdiction. Specifically, Licensor had granted non-exclusive licenses to third-party Licensees, who then chose to conduct business in Texas, but Licensor had no other connection with Texas beyond entering the license agreement with third-party Licensees. The district court granted Licensor's motion to dismiss for lack of personal jurisdiction, finding that a non-exclusive license agreement, without more, was insufficient to trigger personal jurisdiction over Licensor, and Licensor did not trigger personal jurisdiction by exercising quality control over Licensees who chose to conduct business in Texas, either.

On appeal, the Fifth Circuit analyzed whether it had general personal jurisdiction over Licensor, which were incorporated in Delaware and California, and had their principal place of business in California. The Fifth Circuit held that because Licensor did not sell products in Texas, and only one entity within the Licensor had three (3) out of seven hundred and seventy (770) employees working remotely in Texas, Licensor had no such continuous and systematic contacts with Texas as to render it essentially at home there.

The Fifth Circuit further analyzed Plaintiff's arguments that the court had specific jurisdiction over Licensor. First, Plaintiff argued that the entire Disney company should be treated as one franchise for purposes of personal jurisdiction (the franchise theory). The court had personal jurisdiction over the Disney retail entities, and Plaintiff asserted that because the infringement was controlled and interconnected throughout the related Disney companies, the court should also have personal jurisdiction over Licensor. However, the Fifth Circuit concluded that Plaintiff's allegations were conclusory, and, thus, failed to rebut the “presumption of institutional independence.” Therefore, the general rule would apply that personal jurisdiction over a nonresident corporation generally may not be based solely upon another corporate entity's contacts with the forum state. Second, the Fifth Circuit affirmed the lower court's decision that a non-exclusive license agreement, alone, was insufficient to trigger personal jurisdiction over the licensor, because the license agreement could not impute the contacts of the licensee on the licensor.

This case is Diece-Lisa Indus. v. Disney Enters,¹² where the receipt of the mandate (affirmed in part, vacated in part, and remanded) was entered on Dec. 11, 2019.

¹²Diece-Lisa Indus. v. Disney Enters., 943 F.3d 239 (5th Cir. 2019).

§2.05 LICENSEE ESTOPPEL ISSUES

A licensee is generally precluded from challenging the validity of the trademark under the licensee estoppel doctrine on the grounds that maintaining the stability of a contractual relationship often outweighs the need to challenge a trademark. The estoppel doctrine means that the licensee effectively agrees that the mark is valid. This doctrine was recently held by the Southern District Court of New York to also apply to functionality challenges from former licensees.

In *Capri Sun GmbH v. Am. Bev. Corp.*,¹³ the Southern District Court of New York affirmed that licensee estoppel is a valid defense that trademark owners can use to defend against functionality challenges from former licensees. Specifically, the former licensee of Capri Sun's incontestable trademark for a tinfoil pouch design (as displayed below) could not challenge the validity of the mark on functionality grounds because the doctrine of licensee estoppel applied here.

```
{blob alt="yes" blob-ref-id="09013e2c8e72bfec_LIUP_CH02_FIG1.png" class="png" process-as="graphic" src="" /}
```

(The Tinfoil Pouch Design, Registration Number 1418517)

Rather than analyze the public interest against consumer confusion, the court considered the public interest in protecting competition. Three years prior to the instant lawsuit, Capri Sun and its predecessor in interest owned the trademark for a tinfoil pouch design for fruit juice drinks (the “Pouch Trademark”). Capri Sun's predecessor (Deutsche Sisi-Werke Betriebs GmbH) sued American Beverage Corporation's (“ABC”) predecessor for infringement of the Pouch Trademark. In that lawsuit, ABC's predecessor asserted affirmative defenses and counterclaims challenging the Pouch Trademark's validity on functionality grounds and sought extensive discovery regarding the alleged lack of functionality. Capri Sun, however, did not produce any documents relating to the alleged functionality, and most of Capri Sun's responses regarding the functionality consisted of objections and denials. The parties settled the lawsuit three days prior to the close of fact discovery and signed a Settlement and License Agreement.

The Settlement and License Agreement included a clause that gave ABC's predecessor a right to license the Pouch Trademark for its own products and barred ABC's predecessor and ABC from challenging the trademark's validity ever again. In 2019, Capri Sun sued ABC for infringing the Pouch Trademark by selling fruit juice drinks in pouches after ABC had terminated the license agreement. ABC subsequently asserted again the affirmative defense that Capri Sun's Pouch Trademark was functional, and therefore invalid (and also sought discovery related to functionality). The Southern District of New York said that the central issue was whether ABC was contractually precluded from challenging Capri Sun's trademark as invalid.

In determining whether licensee estoppel applied, the court considered whether patent decisions addressing this doctrine would be instructive in this case. Ultimately, while there was a public interest in invalidating an improperly granted trademark that would hinder competition, there was a counterbalancing public interest in promoting settlement of litigation. Consequently, a no challenge clause in a settlement license would be valid so long as the parties had an opportunity to conduct discovery regarding the validity of the trademark.

The court, therefore, analyzed whether ABC's predecessor in interest had a sufficient opportunity to conduct discovery on validity issues to justify estoppel. The court concluded that it had, because the previous litigation lasted nearly one year and ABC's predecessor had sought discovery for four months. The court concluded that because ABC's predecessor was familiar with the Pouch Trademark as a licensee, full discovery regarding the functionality was not necessary. Accordingly, the court found that

¹³*Capri Sun GmbH v. Am. Bev. Corp.*, No. 19 Civ. 1422 (PAE), 2019 U.S. Dist. LEXIS 187778, 2019 WL 5558481 (S.D.N.Y. Oct. 29, 2019).

ABC was estopped from challenging the validity of the Pouch Trademark.

The court then determined that ABC could not raise the issue of functionality as a defense to Capri Sun's infringement claim. Because the alleged functionality was only relevant to infringement as a direct or indirect challenge to the mark's validity, the enforceable no-challenge provision of the Settlement Agreement prevented ABC from asserting a functionality defense to infringement. Consequently, the court granted Capri Sun's motion to strike all references to the Pouch Trademark's functionality from ABC's affirmative defenses and entered a protective order directing that Capri Sun need not respond to discovery requests relating to the functionality of the Pouch Trademark.

§2.06 BANKRUPTCY AND TERMINATION OF TRADEMARK LICENSES

In 2019, the U.S. Supreme Court issued a rare ruling on trademark licensing in the case of *Mission Product Holdings Inc. v. Tempnology, LLC*¹⁴ (on appeal from the Court of Appeals for the First Circuit) holding that a debtor-licensor's rejection of a trademark license agreement does not terminate the licensee's right to continue using the licensed trademarks.

In the case before the Supreme Court, Mission Product Holdings (“Mission”) and Tempnology LLC (“Tempnology”) entered into a co-marketing and distribution agreement which gave Mission a non-exclusive, worldwide, perpetual license to make and sell the licensed fabric products under the licensed mark owned by Tempnology. Two years later, after accruing multi-million losses, Tempnology filed for bankruptcy. The day after filing for bankruptcy, Tempnology moved to reject its agreement with Mission under Section 365(a) of the Bankruptcy Code on the ground that it was an “executory contract” that was no longer beneficial to Tempnology. Although the parties did not dispute that Mission could insist that the rejection not apply to patent licenses in the agreement, it was unsettled as to whether the rejection should apply to the trademark licenses.

Justice Kagan authored the opinion of the Court, which was an 8-1 decision with a short dissent by Justice Gorsuch. The Supreme Court declared that Section 365 of the Bankruptcy Code and “fundamental principles of bankruptcy law command the first, rejection-as-breach approach.” Under this view, the rejection acts as a contract breach outside of bankruptcy, by giving the counterparty a claim for damage and leaving intact the rights the counterparty had received under the contract. The Supreme Court added that the rejection of any contract in bankruptcy acts as a breach, not as a rescission. The Court stated that the “rejection-as-breach” rule ensured that a trustee or debtor was subject to the counterparty's contractual right that existed before the bankruptcy petition was filed. Therefore, under Section 365, a debtor-licensor's rejection of a contract cannot revoke a trademark license, because it does not grant the debtor an exemption from the burdens that generally applicable law imposes on property owners.

The Court turned first to Section 365(g) of the Bankruptcy Code, which states that “the rejection of an executory contract[] constitutes a breach of such contract.” The Court declared that “breach” was “neither a defined nor a specialized bankruptcy term. It means in the Code what it means in contract law outside bankruptcy.” Employing examples from contract law, the Court pointed out that a breaching party has no ability, based on its own breach, to terminate an agreement. In the Court's example, if a dealer of a copier machine leased the machine to a law firm but materially breached the agreement by failing to service the machine, the “dealer cannot get back the copier just by refusing to show up for a service appointment.” The Court then extrapolated the example to bankruptcy law and stated that if the law firm wanted to keep using the copier, the dealer could not take the copier back. In a breach under contract law or a rejection of a contract under bankruptcy law, “the counterparty retains the rights it has received under the agreement.”

Importantly, the rejection under bankruptcy does not terminate the contract, and the debtor and the

¹⁴*Mission Prod. Holdings v. Tempnology, LLC*, 139 S. Ct. 1652 (2019).

counterparty do not return to their pre-contract positions.

The Court rejected Tempnology's argument that permitting licensees to maintain rights in licensed trademarks would undermine a fundamental purpose of the Bankruptcy Code, namely, a debtor's ability to reorganize. Because a trademark licensor has a duty to monitor and exercise quality control over the goods and services sold under a license, Tempnology asserted that a debtor would have to decide between spending valuable resources on quality control and risking the loss of an unmonitored trademark. The Court responded that Congress balanced several competing interests and it “did nothing in adding Section 365(n) to alter the natural reading of Section 365(g)-that rejection and breach have the same results.” In fact, the Court noted that Section 365(g) could be read to “reinforce or clarify the general rule that contractual rights survive rejection.”

Justice Sotomayor wrote a concurring opinion highlighting two features of the Court's opinion. First, the Court did “not decide that every trademark licensee has the unfettered right to continue using licensed marks post-rejection.” Justice Sotomayor emphasized that the “baseline inquiry” was whether the licensee's rights would survive a breach under applicable non-bankruptcy law. Second, trademark licensees' rights post-rejection “are more expansive in some respects” than the rights held by licensees of other types of intellectual property. Section 365(n) requires licensees of certain types of intellectual property to make all royalty payments without deducting damages from the payments, even if the licensees would have been permitted to deduct damages under non-bankruptcy law. Section 365(n) of the Code applies to patents, copyrights, and four other types of intellectual property, but does not apply to trademarks, and permits licensees to retain their licenses if the debtor-licensor rejects an executory contract.

Justice Gorsuch argued in his dissent that Mission's case had become moot, since the license agreement expired by its own terms after the bankruptcy court ruled. The majority opinion disposed of the issue of mootness by determining that Mission presented a live case or controversy with its claim for money damages stemming from its inability to use the trademarks between the time Tempnology rejected the licensing agreement and the agreement's scheduled expiration date.

Although this case is first and foremost about trademark licenses, this decision has consequences beyond just trademark licenses. Specifically, it appears unclear whether trademark licensees still need to follow the Bankruptcy Code, including the requirement for a licensee electing to retain its rights to the intellectual property to continue paying royalties. This decision brings some clarity, however, to trademark licensees who have invested in manufacturing, marketing, distributing, and selling products incorporating licensed marks and anticipate returns from the licensed rights when their trademark licensor has filed for bankruptcy.

§2.07 CONCLUSION

The plain language in trademark licensing agreements remains critical, as courts rely on the original language to interpret definitions and to determine whether licensees have the standing to sue and enforce the licensed mark. The mere existence of a non-exclusive licensing agreement allowing licensees to conduct business in a state does not confer personal, specific or general jurisdiction upon the forum court over the licensor, if the licensor has no other contact with that forum state. The licensee estoppel doctrine extends to functionality challenges. And, the licensor's rejection of trademark license agreement in bankruptcy does not terminate licensees' rights to continue using the licensed trademarks.