Licensing Update - Battersby and Grimes

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2026 Edition

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HIGHLIGHTS

2026 Edition

Last Updated: 2/2026

Licensing Update 2026 Edition

By Gregory J. Battersby and Charles W. Grimes

The Licensing Update covers the year's most significant cases and developments in licensing. The annual update identifies critical trends that licensing professionals and practitioners must understand thoroughly in this rapidly evolving area and provides guidance from licensing experts in a variety of areas of specialty.

Highlights of the 2026 Edition

Fully updated chapters in all of the major licensing topic areas:

- Updated listing of the top 150 licensors for 2025. See §1.02.
- A completely rewritten chapter on patent licensing including discussions of calculating reasonable royalty rates, the European Unified Patent Court's decision on SEPs and the *Brulotte* decision. See Chapter 2.
- The copyright licensing chapter continues to dive deep into issues surrounding Artificial Intelligence (AI) including a major report issued by the Copyright Office in 2025, the AI fair use debate in AI training and an uptick in copyright litigation dealing with AI issues. See Chapter 4.
- In trends, coverage of the day-to-day operational uses of AI. See §6.05[E].
- The business trends chapter includes a section discussing fashion licensing. See §7.04.
- A new section discussing international markets in the international licensing chapter. See §8.03.

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PREFACE

2026 Edition

Last Updated: 2/2026

It is really difficult for us to imagine that with the ***2026 Licensing Update*** we have now completed 24 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.

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

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Last Updated: 2/2026

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 served as General Counsel for the International Licensing Industry Merchandiser's Association (now Licensing International). He has been a Vice President and member of the Board of Directors of The New York Intellectual Property Law Association.

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Giselle Ayala Mateus is an intellectual property lawyer focused on trademarks, copyright, advertising, and licensing, with a particular emphasis on the cartoon and animation industry. She works with a proactive, solutions-oriented approach, helping clients identify risks early and implement legal strategies that support growth, innovation, and long-term success. She has served as outside general counsel for companies and non-profit organizations, providing legal support on issues related to trademarks, licensing, advertising, social media, and corporate governance. As part of her practice, she represents clients in commercial transactions and negotiates key agreements, including commercial contracts, publishing contracts, collaboration agreements between writers, joint ventures, and corporate partnership agreements.

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She is a member of the New York Intellectual Property Law Association (NYIPLA), where she has served as Co-Chair of the Publications Committee since 2023. She also volunteers with the Copyright Clinic of the Center for Art Law and contributes to the annual Wolters Kluwer Licensing publication on copyright law.

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Mr. Winarski is widely published on IP matters having written the book chapter on patent licensing for the Wolters Kluwer Licensing Update published every year since 2014. He has also co-authored a chapter on Section 337 litigation for the ABA's Patent Litigation Handbook and has authored nineteen articles on patent and IP issues for the American Bar Association, IAM-Intellectual Asset Management Magazine, Intellectual Property Today, Institute of Electrical and Electronics Engineer (IEEE) Magazines, American Intellectual Property Law Association (AIPLA) and other legal journals. Mr. Winarski has also been a frequent lecturer domestically and internationally on patent and technology matters at the Practicing Law Institute, IEEE Conferences, European Nano Systems NSTI, McCarthy Institute Conference Law Association, Washington State Bar Association, and the Arizona Bar Association.

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Chapter 3 TRADEMARK LICENSING by B. Brett Heavner, Yinfei Wu, and Kevin Lam

Licensing Update - Battersby and Grimes
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§3.01, INTRODUCTION

Gregory J. Battersby & Charles W. Grimes, Licensing Update §3.01 (2026 Edition 2022)
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Last Updated: 2/2026

Trademark licensing is the process by which a trademark owner (i.e., the licensor) allows another (i.e., the licensee) to make, sell, import, and/or 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 any goodwill associated with the licensor's trademark. In 2025, the Ninth Circuit, Eleventh Circuit, Southern District of Ohio, Western District of Virginia, District of Nevada, Central District of California, and District of Delaware addressed important issues relating to trademark licensing. This chapter reviews these trademark licensing cases, addressing naked licensing, holdover licensee, required parties to join, use and priority, first-sale doctrine, and perpetual license.

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§3.02, NAKED LICENSING

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Last Updated: 2/2026

In the United States, quality control is an essential element for all trademark licensing matters. Controlling the quality of the licensed goods and services: (1) ensures that the trademark owner is the “source” of those goods and services, and (2) prevents consumers from being misled into thinking that they would receive the same quality product from a licensee when it is, in fact, of inferior quality to the licensor's product or service. Insufficient quality control, also called “naked licensing,” will lead to the abandonment of the licensed mark.[1] Not surprisingly, the proponent advancing a naked license theory of trademark abandonment must meet a stringent standard of proof.[2] The below case illustrates such a circumstance, where a defendant's naked licensing argument against a plaintiff's trademark failed.

In *Yuga Labs, Inc. v. Ripps* ,[3] Yuga Labs, Inc. (“Yuga”) created the Bored Ape Yacht Club (“BAYC”) Non-Fungible Token (“NFT”) collection, which became one of the most widely recognized NFT collections in the world. Each BAYC NFT was associated with a specific cartoon ape looking bored, procedurally generated by an algorithm (“Bored Ape Image”) with a unique identifier called an “Ape ID.” Under Yuga's Terms and Conditions (T&Cs), each BAYC NFT sale conferred both personal and commercial rights to use the underlying Bored Ape Image royalty-free. Additionally, owning a BAYC NFT gave purchasers access to an exclusive community. Yuga used and promoted its BAYC mark on its website, events, services, and merchandise; and the BAYC mark

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amassed substantial goodwill as individual BAYC NFTs traded at high values in secondary markets, garnering increased press and celebrity attention.

Defendant Ryder Ripps is an artist, who often criticized BAYC NFT collection for its resemblance to far-right political imagery. As part of his criticism, Ripps created the Ryder Ripps Bored Ape Yacht Club ("RRBAYC") NFT collection, and each RRBAYC NFT was linked to the same Bored Ape image and Ape ID generated by Yuga. According to Ripps, his purpose was to satirize the BAYC NFT collection.

Yuga sued Ripps for trademark infringement and cybersquatting. The district court granted summary judgment in favor of Yuga on its trademark infringement claim, and Ripps appealed to the Ninth Circuit.

In its ruling for non-infringement, the Ninth Circuit specifically rejected Ripps's naked licensing argument. Ripps argued that Yuga abandoned its BAYC mark because it failed to exercise adequate quality control, pointing to Yuga's T&Cs as allegedly a naked license. However, the rule of a naked licensing leading to abandonment of a trademark only applies when a trademark license has been granted in the first place. Here, "nothing in the T&Cs references Yuga's trademarks."[4] Thus, Ripps's naked licensing argument failed right out of the gate. The T&Cs gave buyers control over the purchased NFT and an unlimited, royalty-free right to use the associated Bored Ape Image, but that imagery is not Yuga's BAYC *trademark*; it is Yuga's copyrighted work and/or product offered under the BAYC trademark. The Ninth Circuit pointed to a similar decision made in 2012 by the Eleventh Circuit in *University of Alabama Board of Trustees v. New Life Art, Inc.*,[5] (holding that a licensing agreement authorizing use of University trademarks did not cover paintings depicting University uniforms).

The Ninth Circuit further refused to infer the existence of a trademark license because Ripps failed to introduce any evidence that the parties to the T&Cs would believe that the NFT purchasers obtained a license to use the BAYC mark. This case illustrates that, when establishing a naked licensing argument in a trademark infringement case, there must be a trademark licensing agreement, and the language must be clear as to which trademark is being licensed or else point to evidence showing that a trademark (and not copyright) licensing agreement was implied.

Footnotes

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

2 *Barcamerica* , 289 F.3d at 596.

3 No. 2:22-cv-04355 (9th Cir. 2025).

4 *Id* . at 34.

5 683 F.3d 1266, 1273–75 (11th Cir. 2012).

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§3.03, HOLDOVER LICENSEE

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When a licensee uses a trademark, under an expired or terminated licensing agreement without further permission by the trademark owner or original licensor, the licensee is a "holdover" licensee who can be liable for trademark infringement, willful trademark infringement, and potentially unfair competition. The following cases present circumstances where the Southern District of Ohio and Western District of Virginia found that the defendants were holdover licensees.

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In *Luxottica of America, Inc. v. Belanger* ,[6] Plaintiff Luxottica of America., Inc ("Luxottica") operated and franchised numerous eye care centers and optical retail stores in the United States, and its franchisees were granted a limited license to display the Pearle Vision marks in their stores. One such franchisee was Defendant Bright Eyes Clinic, LLC, operated by Defendants Wayne William Belanger and Angela Dawn Belanger (collectively, "Bright Eyes").

The licensing agreement between Luxottica and Bright Eyes specified that the latter's right to use the Pearle Vision marks ceased immediately when its licensing agreement with Luxottica terminated. However, after the license was terminated on August 23, 2025, Bright Eyes continued to display the Pearle Vision marks at its store. As a result, Luxottica brought a court action against Bright Eyes and sought a temporary restraining order ("TRO") to immediately block Bright Eyes from using the Pearle Vision marks, for trademark infringement and unfair competition claims under the Lanham Act, among others.

The court found that Luxottica demonstrated a likelihood of success on its trademark infringement and unfair competition claims. Luxottica owned the Pearle Vision marks, and Defendants used those exact Pearle Vision marks on the licensed goods/services without authorization. The "categorical rule" against a holdover licensee presumes a likelihood of confusion. Because Luxottica showed a likelihood of success on the merits of its Lanham Act claims, it is entitled to a rebuttable irreparable harm. Luxottica also showed that it would suffer "certain and immediate" harm should Bright Eyes be allowed to continue to use the Pearle Vision marks, as Luxottica no longer had any control over the quality of Bright Eyes' products and services. The court found that "there is reason to believe that consumers will infer that there is an affiliation" between Luxottica and Bright Eyes, given the holdover licensee's continued use of the Pearle Vision marks. As Luxottica was able to show that its goodwill and reputation was damaged, other licensee were substantially harmed, and a TRO served the public interest, the court granted Luxottica's TRO.

This case demonstrates how a holdover licensee rule can be employed to afford the trademark owner and licensor a presumption of a likelihood of confusion, bypassing the traditional fact-intensive likelihood of confusion analysis.

In *7-Eleven, Inc. v. Sisara, LLC* ,[7] Plaintiff 7-Eleven, Inc. ("7-Eleven") and Defendant Sisara, LLC ("Sisara") entered into a franchise agreement on August 13, 2021, for the operation of a 7-Eleven location in Roanoke, Virginia. 7-Eleven later terminated the franchise agreement on July 9, 2024, because Sisara failed to cure its material breach of the agreement, involving its compliance with 7-Eleven's cleanliness, food service, and financial requirements. Despite the termination, Sisara continued to operate the Roanoke location as a 7-Eleven-branded franchise store. 7-Eleven filed a complaint against Sisara for, among other claims, trademark infringement and unfair competition, and Sisara defaulted after failing to respond by the deadline. In 7-Eleven's motion for default judgment, 7-Eleven sought a permanent injunction against Sisara's use of the 7-Eleven marks.

The court said that it had "little trouble that the Complaint establishes claims for trademark infringement."[8] Specifically, the court ruled that the complaint contained sufficient facts to show 7-Eleven's legal ownership of the 7-Eleven brand, its entry into a franchise agreement with Sisara in 2021 that detailed the use of the licensed brand, and Sisara's continued use of the licensed brand after 7-Eleven terminated its franchise agreement in 2024. Critically, the court characterized Sisara as a "holdover franchisee" whose use of the licensed marks was likely to cause confusion and presumptively constituted trademark infringement and unfair competition. As the court found that 7-Eleven's complaint established claims for trademark infringement and unfair competition against Sisara, it granted a permanent injunction against Sisara.

Just like the above *Luxottica* case, this case illustrates how a licensee should immediately cease using a licensor's trademarks following its licensing agreement's expiration or termination, or else the licensee will be presumptively considered a trademark infringer and/or unfair competitor.

Footnotes

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6 No. 1:25-cv-727, 2025 U.S. Dist. LEXIS 204218 (S.D. Ohio Oct. 16, 2025).

7 No. 7:24-cv-00448, 2025 U.S. Dist. LEXIS 165742 (W.D. Va. Aug. 26, 2025).

8 *Id* . at 14.

§3.04, REQUIRED PARTY TO JOIN

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Under Rule 19 of the Federal Rules of Civil Procedure, there are three types of required parties that must be joined if feasible: (a) in that party's absence, the court cannot accord complete relief, (b) a party whose claim of interest relating to the subject of the action can be practically impaired or impeded if not joined, and (c) a party necessary to ensure that existing parties are not exposed to multiple or inconsistent obligations.

If a licensee is a required party but cannot be joined, the court has two options: either to continue without the licensee or dismiss the litigation. The courts make their decisions "in equity and good conscience," weighing the following factors in each fact-specific case:

(1) the extent to which a judgment rendered in the party's absence might prejudice that party or the existing parties;
(2) the extent to which any prejudice could be lessened or avoided by:

  (A) protective provisions in the judgment;
  (B) shaping the relief; or
  (C) other measures;

(3) whether a judgment rendered in the party's absence would be adequate; and
(4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.

Fed. R. Civ. P. 19(b)(1)–(4). In trademark cases involving a licensed mark, a sublicensee may be considered a required party to join, like a licensor or a licensee. Non-joinder of a sublicensee can often result in dismissal of a court action. The case below is notable, because it illustrates when a complaint would not be dismissed, if the party moving to dismiss the action fails to satisfy its burden to show that the joinder of a sublicensee is feasible.

In *TChutima, Inc. v. Bua Group, LLC* ,[9] Plaintiff TChutima Inc. ("TChutima") owned and operated Chef Saipin Chutima's well-known Thai restaurant in Las Vegas named LOTUS OF SIAM. Defendant Bua Group, LLC ("Bua Group") and TChutima entered into a licensing agreement that permitted Bua Group to open Thai restaurants under TChutima's LOTUS OF SIAM mark ("Licensed Mark") in Las Vegas. The licensing agreement contained an approval process for Bua Group's use of the Licensed Mark, where Chef Chutima had the right to create the initial menus for new restaurants, train their staff, and periodically update menus and staff-training policies. In exchange, the licensing agreement required Chef Chutima to make periodic personal appearances at the new restaurants. Subsequently, Bua Group opened its first Lotus of Siam restaurant at the Red Rock Casino & Hotel ("Lotus Red Rock"), created a wholly owned subsidiary Bua Redrock, LLC ("Bua Redrock") to operate that restaurant, and sublicensed its rights under the licensing agreement to Bua Redrock.

While TChutima and Bua Group operated harmoniously in the beginning, the parties began to accuse each other of violating the licensing agreement, resulting in a state court action and a federal court action. TChutima sued Bua Group in the United States District Court for the District of Nevada, primarily alleging that Bua Group infringed the Licensed Mark by violating the licensing agreement. Bua Group moved to dismiss for TChutima's failure to join an indispensable defendant, who was a sublicensee of the Licensed Mark that received all revenues from the Lotus Red Rock's operation.

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The court held that even if it found Bua Redrock to be a necessary and indispensable party to this action, Bua Group failed to satisfy its burden to show that Bua Redrock could not be joined.

Determining whether to dismiss for failure to join an indispensable party under FRCP 19 is a "three-part inquiry."[10] First, the court "examines whether the absent party must be joined" under FRCP 19(a)(1).[11] Second, the court determines whether joinder is feasible.[12] Third, "if joinder is infeasible," the court must "determine whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed."[13] On the third inquiry, the party requesting dismissal for non-joinder of an indispensable party bears the burden to show that joinder is infeasible.[14] Bua Group merely argued that joining Bua Redrock was not possible because it would "mirror" the state-court action, and the court had an interest in curbing forum shopping. But, FRE 19(a) only permitted three circumstances where joinder is not possible—venue is improper, the absentee party is not subject to the court's personal jurisdiction, and a joinder would destroy subject-matter jurisdiction. Bua Group addressed none of these circumstances.

Moreover, the court found that Bua Group failed to address the FRE 19(b)'s factors to determine whether "in equity and good conscience," the action should proceed among the existing parties or should be dismissed. The court, accordingly, denied Bua Group's motion to dismiss based on non-joinder of an indispensable party.

This case teaches us that, when moving to dismiss a trademark infringement case for non-joinder of a licensor, licensee, and/or sublicensee, courts will not simply grant the dismissal because joinder would mirror another action or prevent forum shopping. We must follow the federal rules to address and satisfy each factor or element of the three-party inquiry on non-joinder of an indispensable party.

Footnotes

9 No. 2:24-cv-01130-JAD-NJK, 2025 U.S. Dist. LEXIS 122427 (D. Nev. June 26, 2025).

10 Klamath Irrigation Dist. v. U.S. Bureau of Reclamation, 48 F.4th 934, 943 (9th Cir. 2022).

11 *Id* .

12 *Id* .

13 *Id* .

14 Clinton v. Babbitt, 180 F.3d 1081, 1088 (9th Cir. 1999) ("The moving party has the burden of persuasion in arguing for dismissal." (quoting Shermoen v. United States, 982 F.2d 1312, 1317 (9th Cir. 1992)).

§3.05, USE AND PRIORITY

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Generally, ownership rights in a trademark can be acquired and maintained through a controlled licensee's use of the licensed mark, even when the licensee is the only one that has used the mark. In other words, a controlled licensee's use of a mark inures to the licensor's benefit. However, the licensor must have adequate, actual quality control over the licensed goods or services before a license provides such benefits.[15]

In *StudioCanal SAS v. Hollywood Collectibles Group LLC* ,[16] Plaintiff StudioCanal SAS ("StudioCanal") asserted common law rights in the FIRST BLOOD mark ("Licensed Mark") for knives and had a licensing agreement with Defendant Hollywood Collectibles Group LLC ("HCG"), granting HCG the right to use the Licensed Mark in connection with various knives. StudioCanal later terminated the licensing agreement under the *force majeure* clause, yet HCG continued to sell knives using the Licensed Mark. StudioCanal sued HCG in the Central District

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of California for trademark infringement, unfair competition, breach of contract, cancellation of HCG's trademark registration of the Licensed Mark obtained without StudioCanal's approval, and false or fraudulent procurement of a federal trademark registration.

In StudioCanal's motion for preliminary injunction against the holdover licensee HCG's use of the Licensed Mark, StudioCanal based its common law rights in the Licensed Mark through HCG's use of the Licensed Mark that inured to the benefit of StudioCanal. HCG disputed StudioCanal's ownership claim, arguing that only HCG had ever used the Licensed Mark in commerce; StudioCanal never made any actual sales of knives using the Licensed Mark and never opposed its application for the Licensed Mark. In essence, HCG believed that HCG —not StudioCanal—owned the Licensed Mark by making the first sale of knives under the Licensed Mark. The court agreed with StudioCanal and granted its motion for preliminary injunction.

Establishing common law trademark rights in the absence of federal registration requires showing (1) distinctiveness, (2) priority, (3) continuous use, and (4) sufficient market penetration[17]. On the first and fourth elements, the court found that the Licensed Mark was inherently distinctive when used in connection with knives, and HCG's use had sufficient market penetration. On the second and third elements, the court pointed to the licensing agreement, which clearly stated that HCG did not acquire any rights in the Licensed Mark, and any use inured to the benefit of StudioCanal. Thus, the court found that even if HCG was the senior user of the Licensed Mark, its use was to the benefit of StudioCanal. HCG even admitted that it had requested StudioCanal's assistance over the years to police the market against counterfeiting. Critically, StudioCanal's exercising actual quality control is a nail in the coffin to the court's finding of a valid trademark license and ultimately StudioCanal's ownership of the Licensed Mark. The court, accordingly, found that StudioCanal had satisfied all four elements to obtain common law rights to the Licensed Mark, preventing HCG from using the Licensed Mark beyond the licensing term.

This case is a great example of a licensor being the rightful owner of a licensed mark, even though it never made any sales itself using the licensed mark, and its licensee was the first to use the licensed mark in commerce. Such trademark rights can be acquired by the licensor through the controlled licensee's use of the licensed mark that inures to the benefit of the licensor.

Footnotes

15 *See* 15 U.S.C. §1055 (noting that the benefit of licensee's "first use" of a mark inures to a licensor only if the licensor "control[s]…the nature and quality of the goods").

16 No. 2:24-11002 (C.D. Cal. June 30, 2025).

17 Applied Info. Scis. Corp. v. eBAY, Inc., 511 F.3d 966, 970 (9th Cir. 2007).

§3.06, FIRST-SALE DOCTRINE

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2026 Edition

Last Updated: 2/2026

The first-sale doctrine allows resales of a genuine trademarked product after the trademark owner or its licensee has sold the product, unless it is likely to confuse consumers as to the origin of these products. This defense is available to a defendant in trademark infringement actions with well-defined exceptions. Whether the mark at issue is a licensed mark does not change the application of the doctrine as a defense. The below case, however, illustrates an exception to the first-sale doctrine.

In *Nutradose Labs, LLC v. Santamarta* ,[18] Defendant Bio Dose Pharma, LLC ("Bio Dose") obtained a limited, royalty-free, and exclusive license to use the GlutaDose mark ("Licensed Mark") from a past owner. Plaintiff

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Nutradose Labs, LLC (“Nutradose”) purchased the Licensed Mark from the past owner, and Bio Dose did not secure Nutradose's permission to continue using the Licensed Mark. Consequently, Nutradose sued Bio Dose and its founder and owner, Raimundo Santamarta for trademark infringement under the Lanham Act.

The United States District Court for the Southern District of Florida ruled for Nutradose and found Santamarta personally liable for Bio Dose's trademark infringement. On appeal, Santamarta argued that the district court erred in rejecting one of his affirmative defenses under the first-sale doctrine. Specifically, Bio Dose argued that because it sold genuine goods under the Licensed Mark, it did not infringe Nutradose's trademark rights.

The Eleventh Circuit affirmed the district court's judgment that the first-sale doctrine did not apply to Santamarta for two reasons: (1) Bio Dose was a holdover licensee, which was not permitted to sell off their inventory; and (2) Bio Dose falsely suggested an affiliation with the trademark owner, Nutradose, in a manner likely to cause confusion as to source or sponsorship of the licensed products. Specifically, Bio Dose's website did not identify Bio Dose as a reseller and created the impression that the licensed goods originated from Bio Dose. Accordingly, the Eleventh Circuit held that Santamarta could not rely upon the first-sale doctrine, and the district court did not err when rejecting that defense.

On appeal, Santamarta disputed both reasons for which the district court declined to apply the first-sale doctrine. First, Santamarta claimed that the holdover licensee rule only applies to manufacturer ex-licensees—not to distributor ex-licensees, such as Bio Dose. However, Santamarta was unable to point to any case or law suggesting that the holdover licensee rule should be limited to manufacturers that continued to use licensed marks beyond licensing terms. Neither did Santamarta successfully explain why such a distinction would be meaningful. The Eleventh Circuit noted that whether the holdover licensee “was a manufacturer, rather than a distributor, is wholly incidental to the case's holding.”

Second, Santamarta contended that, because the products sold by Bio Dose using the Licensed Mark were genuine, Bio Dose's misrepresentations did not foreclose the first-sale doctrine. To justify this claim, Santamarta relied primarily on *Davidoff & CIE, S.A. v. PLD International Corp* .[19] But Santamarta failed to appreciate the crucial differences between his own case and *Davidoff & CIE, S.A.*, where the Eleventh Circuit explained that “[t]he resale of genuine trademarked goods generally does not constitute infringement. This is for the simple reason that consumers are not confused as to the origin of the goods: the origin has not changed as a result of the resale.”[20] However, the Eleventh Circuit pointed out that in Bio Dose's case, its misrepresentations *did* confuse consumers about the origin of the trademarked goods. Specifically, it found that Bio Dose's website did “not indicate that Nutradose, versus Bio Dose, originates GlutaDose Products; in other words, the [w]ebsite [did] not identify Bio Dose as a reseller of Nutradose products.”[21] “For that reason,” the court concluded, “the [w]ebsite create[d] the impression that GlutaDose Products originate from Bio Dose.” Accordingly, *Davidoff & CIE, S.A.* did not save Santamarta's reliance on the first-sale doctrine, and the Eleventh Circuit did not find that the district court erred in rejecting this defense.

The Eleventh Circuit's decision underscores how a holdover license and a false suggestion of an affiliation would preclude an application of the first-sale doctrine. This case also clarifies that for the holdover licensee rule to apply, the holdover licensee could be a manufacturer or a distributor; the type of contractual relationship between the trademark owner and the holdover licensee does not change the law that a holdover licensee's continued use of a licensed mark (without prior consent from the trademark owner) constitutes trademark infringement.

Footnotes

18 No. 24-10381, (11th Cir. Jan. 30, 2025).

19 263 F.3d 1297 (11th Cir. 2001).

20 *Davidoff & CIE, S.A.* , 263 F.3d at 1301 (citations omitted).

21 *Nutradose* , 710 F. Supp. 3d at 1211.

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§3.07, PERPETUAL LICENSE

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A perpetual trademark license grants a licensee ongoing rights to access and use the licensed mark in perpetuity. These perpetual licenses are generally allowed under the federal trademark laws. However, as noted by the decision below, the breadth of the perpetual trademark license significantly restricted the licensor's ability to pursue a later infringement claim against the licensee.

In *Capstack Partners LLC v. Capstack Technologies, Inc.* ,[22] Plaintiff CapStack Partners LLC ("Licensor") initially resolved a trademark infringement dispute and entered into an agreement with Defendant Capstack Technologies, Inc. ("Licensee"). Under the agreement, Licensor granted Licensee a royalty-free, perpetual, and irrevocable license to use the CapStack mark ("Licensed Mark") for goods and services covered by Licensor's federal or state trademark registrations, as well as any future integrated operating system and its related goods and services in the banking and finance fields.

Licensor alleged in its complaint that Licensee breached the settlement agreement, infringed Licensor's trademark rights, and engaged in unfair competition by: (1) using the Licensed Mark standing alone to market Licensee itself; (2) using the Licensed Mark to brand Licensee's new business lines "CapStack Analytics" and "CapStack Loan Services"; and (3) failing to change Licensee's email addresses to "@capstack.ai." Licensee moved to dismiss all the claims for failure to state a claim, and Judge Hall of the United States District Court for the District of Delaware granted Licensee's motion to dismiss in its entirety.

First, the agreement had a "Notice and Cure" provision, which required the non-breaching party to notify the other in writing within thirty days of discovering the alleged breach. The agreement also called for notice to detail any alleged breach. Here, there was no dispute that Licensor failed to send notice to the appropriate individuals at Licensee, in the specified manner, before filing suit as required by the agreement. Thus, Judge Hall agreed with Licensee that the breach of contract claim should be dismissed without prejudice.

Next, turning to the trademark infringement and unfair competition claims, Judge Hall noted that Licensor's claims all arose from Licensee's use of the Licensed Mark in connection with its existing business. Because Licensee was granted such a broad and perpetual license to use the Licensed Mark "in connection with the CapStack Technologies Goods and Services," the court found no plausible factual allegations in the complaint to suggest that Licensee's conduct fell outside the scope of that license grant. Accordingly, Licensor's Lanham Act claims were also dismissed.

It goes without saying that any notice-and-cure procedures set forth in an agreement should be complied with before a lawsuit is filed. That being said, this case serves as a great reminder that while perpetual licenses are generally permitted, a licensor should still precisely define the scope of the licensing terms, including the licensed goods and/or services. A broad scope of a trademark license, especially in the case of a perpetual license, may significantly restrict, impede, or even nullify a licensor's ability to enforce its trademark rights.

Footnotes

22 No. 24-1428 -JLH, 2025 U.S. Dist. LEXIS 173297 (D. Del. Sept. 5, 2025).

§3.08, CONCLUSION

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Trademark practice, including trademark licensing, is all about the details. On the surface, trademark licenses can be most flexible; written or oral, express or implied, exclusive or nonexclusive, to manufacture or distribute, perpetual or limited. However, the license should clearly and precisely define the licensed mark and the period of the license, provide the scope of the licensed goods/services and the procedures to be followed in case of enforcement and breach, as well as how a licensor must exercise actual quality control over its licensee's use of the licensed mark. It is important to memorialize and detail the parties' agreement on each of these perspectives. Otherwise, courts (such as the Ninth Circuit in 2025) are reluctant to infer the existence of a valid trademark license from documents that do not detail these licensing terms, including Terms and Conditions that use the word "license."

Courts do not differentiate between the licensor's and licensee's use or priority in connection with the licensed mark, unless it is a naked license invalidating the license in the first place. The licensee's use, including first or senior use inures to the benefit of the licensor who is the ultimate and rightful owner of the licensed mark. Such is the case even if the licensor itself never made any actual sales of the licensed products or used the licensed mark in commerce, noted by the United States District Court for the Central District of California.

After termination of a trademark license, unauthorized use of the licensed mark by the former licensee is generally prohibited under the holdover licensee rule. A proven holdover licensee presumptively constitutes trademark infringement and unfair competition. The holdover licensee rule can be a powerful tool to streamline and expedite enforcement by trademark owners and licensors, through TROs and preliminary injunctive relief. The United States District Court for the Southern District of Ohio, the Western District of Virginia, the District of Delaware, and the Eleventh Circuit all addressed such application of the holdover licensee rule in 2025.

A holdover licensee who falsely suggests an affiliation with the trademark owner and former licensor, cannot apply the first-sale doctrine to defeat a trademark infringement claim. The type of contractual relationship between the trademark owner and the holdover licensee does not change the law that a holdover licensee's unauthorized, continued use of a licensed mark is trademark infringement.

There is no certain way that a trademark licensing agreement should be structured or drafted. However, by focusing on specificity and clear language, practitioners can create comprehensive licensing agreements that serve their clients' best interests in understanding, managing, and concluding some of their most important relationships, with or without litigation.

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