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Amicus Brief of the International Trademark Association in Chloé v. Queen Bee of Beverly Hills, LLC

STANDING AND JOINDER CONSIDERATIONS IN TRADEMARK LITIGATION AND LICENSES

By Kim J. Landsman, Daniel C. Glazer, and Irene C. Treloar

I. INTRODUCTION

Trademark licensees long have had standing to sue for infringement of the licensed mark under Section 43(a) of the U.S. Trademark (Lanham) Act. Occasionally, when the license in fact operates more like an assignment, licensees have been allowed to sue under Section 32(1) as if they were the licensor who registered the licensed mark. In some instances, courts even have used such an analysis to provide trademark licensees with the right to sue for dilution as the owner of a famous licensed mark under Section 43(c).

What has received less attention in the reported cases is the issue of joining the licensor as a party to actions instituted by the licensee. That issue deserves more attention because certain trademark licensors—particularly foreign entities seeking to avoid appearing in a U.S. legal proceeding—may desire to provide their licensees with the right to enforce the licensed mark in the United States to avoiding entanglements in lawsuits.

This article first will review the principal reported decisions in which a set of factors have developed that courts used to resolve standing and joinder questions in trademark litigation. Those factors include the specific statutory claims being asserted, whether the license is exclusive or non-exclusive, the nature of the specific rights that have been granted to the licensee, and the restrictions on the licensee’s rights set forth in the license agreement. These cases provide litigators with guidance on how to avoid or overcome procedural hurdles if the client is the claimant, or if the client is the alleged infringer, and how to derail a case (or at least add expense and inconvenience to the other side) by raising issues concerning the absence of parties with an interest in the licensed mark.

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This article also addresses the implications of standing and joinder rules for transactional lawyers who draft and negotiate trademark licenses. As the cases described below make clear, it is crucially important to negotiate and carefully delineate the licensor and licensee’s respective rights to make decisions about enforcing the licensed mark in the United States, as well as the right to be left out of litigation if the other party to a license brings an infringement or dilution action against potential infringers.

II. STANDING
   A. Claims Under Lanham Act Section 43(a)(1)

Section 43(a)(1) of the Lanham Act provides a cause of action for “any person who believes that he or she is likely to be damaged” by a party’s acts of infringement or unfair competition. The statutory language gives a wide range of plaintiffs standing to maintain a claim. One need not be an “owner” or “registrant” of a mark to assert a Section 43(a)(1) claim.

The statutory requirement of standing—the person’s belief that “that he or she is likely to be damaged” by an infringement—appears quite flexible and open-ended, and courts generally have ruled that both non-exclusive and exclusive trademark licensees have standing to bring claims under Section 43(a)(1) of the Lanham Act. As a user of the infringed mark, a licensee has a

2. See, e.g., Murphy v. Provident Mut. Life Ins. Co., 756 F. Supp. 83, 86 (D. Conn. 1990), aff’d, 923 F.3d 923 (2d Cir. 1990) (noting that the question of ownership or registration is immaterial to standing under § 43(a) since standing may lie with mere users of trademarks).

commercial interest that would be adversely affected by the unauthorized use of the mark in violation of Section 43(a)(1). 5

Nevertheless, the reported cases have required more than a mere allegation of “belief” in likely damage. A plaintiff that is not the registrant or owner of the infringed mark must introduce evidence that it is reasonably likely to suffer competitive or commercial injury as a result of a defendant’s unauthorized use of the mark, such as declining sales or loss of goodwill. 6 A subjective belief of likelihood of injury, without more, is insufficient for a non-registrant or non-owner of a mark to maintain an action under Section 43(a)(1). 7

A licensee’s right to maintain an action under Section 43(a)(1) can be limited by contract. What is contractually created (i.e., the right to use the licensed mark and, therefore, standing to sue) can be contractually limited. Following this rationale, courts have held that a trademark licensee does not have standing to bring a Section 43(a)(1) claim if the applicable license agreement restricts the licensee’s ability to bring suit. 8

6. See Trump Plaza, 2009 WL 1812743, at *5 (the standing inquiry should focus on “whether the injury alleged is the type of injury that the Lanham Act was designed to redress—harm to the plaintiff’s ‘ability to compete’ in the marketplace and erosion of the plaintiff’s ‘good will and reputation’”) (quoting Phoenix of Broward, Inc. v. McDonald’s Corp., 489 F.3d 1156 (11th Cir. 2007)).
7. Rosenfeld v. W.B. Saunders, 728 F. Supp. 236, 241-42 (S.D.N.Y. 1990), aff’d, 923 F.2d 845 (2d Cir. 1990). See also Coyne’s & Co., Inc. v. Enesco, LLC, 565 F. Supp. 2d 1027, 1043 (D. Minn. 2008) (plaintiff must have a “reasonable interest to be protected” such as “a commercial interest in the product wrongfully identified with another’s mark” or “a commercial interest in the misused mark”) (citing Stanfield v. Osborne Indus., Inc., 52 F.3d 867, 873 (10th Cir. 1995)).
8. See Finance Inv. Co. (Bermuda) Ltd. v. Geberit A.G., 165 F.3d 526, 532 (7th Cir. 1998) (holding that because “the license is the sole source giving the plaintiffs any interest in the . . . mark, that same license’s refusal to give them the right to sue . . . strips them of the right to raise a § 43(a) claim”); O.C.C. Apparel, Inc. v. Ross Stores, Inc., No. 04-6049, 2007 WL 869551, at *4 (D.N.J. Mar. 20, 2007) (licensee did not have standing under § 43(a) where license agreement obligated licensee to notify licensor of any infringements, gave licensor sole discretion to take appropriate action, and specifically provided that the licensee could not take action without the licensor’s approval); Visa U.S.A. Inc. v. First Data Corp., No. C 02-01786, 2005 WL 6271242, at *5 (N.D. Cal. Aug. 16, 2005) (licensee did not have standing to bring § 43(a) claim where the license agreement specifically provided that the licensor retained sole right to engage in unfair competition proceedings involving the licensed marks); cf. Rosati’s Franchise Sys., Inc. v. Rosati, No. 05 C 3146, 2006 WL 163145, at *9 (N.D. Ill. Jan. 17, 2006) (provision in license agreement which prohibited licensees from bringing suit “to enforce the rights in and to the Marks” without the prior written consent of the licensor did not prohibit a false advertising claim).
B. Infringement Claims Under Lanham Act Section 32(1)

Section 32(1) of the Lanham Act limits suits for infringement of a federally registered trademark to an action by the “registrant.”9 Section 45, however, indicates that “registrant” should be interpreted broadly to include “the legal representatives, predecessors, successors and assigns” of such registrant.10 Courts have construed the statutory definition of “registrant” as excluding non-exclusive trademark licensees from the class of plaintiffs with standing to bring Section 32(1) claims.11 However, several courts have recognized that an exclusive licensee of a registered trademark may have standing under Section 32(1) if the license agreement grants the exclusive licensee a property interest in the trademark, or rights “tantamount to an assignment.”12


Note that licensees do not have standing to bring Section 32(1) claims against their licensors because any protectable right in the mark is derivative of the licensor’s right, and licensees only have standing to assert infringement on behalf of the licensor. See Shoney’s Inc., 686 F. Supp. at 564 (citing Silverstar Enters., Inc. v. Aday, 537 F. Supp. 236, 239 (S.D.N.Y. 1982)).
Courts typically defer to the terms of an applicable license agreement when determining whether an exclusive licensee can be considered a *de facto* assignee for purposes of standing under Section 32(1).\(^{13}\) In *Bliss Clearing Niagara, Inc. v. Midwest Brake Bond Co.*,\(^{14}\) a Michigan U.S. district court noted that while there is no “precise rule” for determining whether sufficient rights have been transferred to the licensee to confer standing under Section 32(1), reported decisions had established “several useful principles.” For example, a licensee will have standing under Section 32(1) “where the agreement transfers to the licensee all of the licensor’s rights in the use of the trademark”\(^{15}\) or “where the agreement grants the licensee exclusive use of the mark without restricting the licensee’s ability to enforce the mark.”\(^{16}\)

In *Bliss*, the U.S. district court stated that the following non-exhaustive set of factors tends to weigh against the standing of an exclusive licensee to bring an action under Section 32(1):

1. The licensee lacks the power to exclude the licensor from using the mark in the licensee’s territory.
2. The license agreement stipulates that the licensor retains exclusive ownership of the mark.
3. The license agreement imposes geographical restrictions on the licensee’s use of the mark.
4. The license agreement requires the licensee to maintain the quality of the mark or reserves to the licensor the right to monitor the quality of the licensee’s products.
5. The license agreement contains duties and rights between the parties that are inconsistent with an assignment.
6. The license agreement limits the licensee’s ability to enforce the mark against infringers.\(^{17}\)

Courts have been inconsistent in applying the various factors enumerated in *Bliss*, and not all factors have been considered in every case. However, a review of reported decisions in which courts have addressed the issue of whether an exclusive licensee has

\(^{13}\) See, *e.g.*, *Finance Inv. Co.*, 165 F.3d at 532 (licensee’s argument that it had a statutory right to sue as an “exclusive licensee” depends on the language of the license agreement); *Visa U.S.A.*, 2005 WL 6271242, at *3 (“The determination of whether a licensee has standing to sue under Section 32 depends upon the rights granted to the licensee under the licensing agreement”) (citing *Ultrapure Sys. Inc.*, 921 F. Supp. at 665)).


\(^{15}\) *Id.* at 960 (citing *Etri*, 1989 WL 99575, at *3).

\(^{16}\) *Id.* (citing *Ultrapure Sys.*, 921 F. Supp. at 665-66).

\(^{17}\) *Id.* at 959-60.
standing under Section 32(1) reveal patterns that are informative for potential litigants, licensees, and licensors.

First, with one exception that will be discussed below, the general rule appears to be that despite the presence of other factors in the license agreement weighing in favor of standing, a trademark licensee does not have standing under Section 32(1) if the license agreement expressly states that the licensor retains exclusive ownership of the mark.18 Courts have reasoned that a license cannot be characterized as an “assignment” if no ownership rights in the mark have been transferred to the licensee.19 The only published decision to reach a contrary holding appears to be Bliss.20 In Bliss, the U.S. district court acknowledged that the license agreement explicitly stated that the licensor retained exclusive ownership of the marks. Nevertheless, the court held that the license agreement conferred sufficient rights to the licensee for purposes of standing under Section 32(1) because the licensee was granted the worldwide exclusive right to use the licensed marks and also an unlimited right to enforce the marks against third parties.21

Second, in cases where the license agreement is silent on the issue of whether the licensor retains exclusive ownership of the mark or the issue simply has not been raised,22 courts consistently have held that the licensee does not having standing under


19. See, e.g., DEP Corp., 622 F.2d at 623 (clause in the agreement asserting that the licensee had no claim or right in the mark “completely negate[s] [licensee’s] interest in the trademark and hence its standing to sue for infringement”).

20. A number of cases do not address whether or not the licensor expressly retained ownership of the trademarks in the license agreement. See, e.g., Quabaug Rubber Co. v. Fabiano Shoe Co., 567 F.2d 154 (1st Cir. 1977), Finance Inv. Co. (Bermuda) Ltd. v. Geberit A.G., 165 F.3d 526 (7th Cir. 1998), Etri Inc. v. Nippon Miniature Bearing Corp., No. 85-C-615, 1989 WL 99575 (N.D. Ill. Aug. 18, 1989), and Kia Motors Am., Inc. v. Autoworks Distrib., No. 06-156, 2007 WL 4372954 (D. Minn. Dec. 7, 2007). It is not clear from the decisions whether the license agreements lacked express provisions or whether the courts or parties failed to raise the issue.

21. But see, e.g., Gruen, 955 F. Supp. at 983 (exclusive licensee did not have standing to bring § 32(1) claim where licensor retained rights to the trademark even though licensee was granted a worldwide license and rights to sue for infringement).

22. See supra note 20.
Section 32(1) if the licensee does not have the right to exclude the licensor from using the mark in the licensed territory.\textsuperscript{23}

Third, in cases where standing is not negated by one of the above two factors, courts have held that an exclusive licensee has standing to sue under Section 32(1) if the license agreement grants the licensee the right to enforce the licensed mark in the licensed territory, or the agreement is silent as to whether the licensee has enforcement rights.\textsuperscript{24} However, similar to the standing determinations made with respect to Section 43(a)(1), the licensee's right to maintain an action is not absolute. If the license agreement expressly prohibits the licensee from bringing suit in its own capacity, then the licensee does not have standing.\textsuperscript{25} Other restrictions on the licensee's unfettered ability to sue for infringement also may weigh against standing.\textsuperscript{26}

\textsuperscript{23.} See Finance Inv. Co., 165 F.3d at 531-532 ("[A] truly exclusive licensee, one who has the right even to exclude his licensor from using the mark . . . is equated with an assignee since no right to use [the mark] is reserved to the licensor, and the licensee's standing derives from his presumed status as assignee") (citing 3 Jerome Gilson, Trademark Protection & Practice § 8.16[1][b] (1997)); Quabaug Rubber Co., 567 F.2d at 159 (licensee did not have standing because it did not have power under the license agreement to exclude importations and sales by licensor and its foreign licensees in the United States); Krasnyi Oktyabr, 2007 WL 1017620, at *4 (licensee did not have standing where it had exclusive rights in the U.S. to sell to the "Russian ethnic market," but the licensor could license other parties to sell outside the Russian ethnic market in the United States); DEP Corp., 622 F.2d at 624 (rejecting licensee's claim that it had the right to exclude the trademark owner from selling its products in the United States and finding that licensee did not have standing). Again, not all courts have considered this issue. See, e.g., Calvin Klein, 2001 WL 1456577, Central Mfg., 392 F. Supp. 2d 1046, Finance Inv. Co., 165 F.3d 526, Etri, 1989 WL 99575, and Kia Motors, 2007 WL 4372954.

\textsuperscript{24.} See Etri, 1989 WL 99575, at *4 (licensee had standing to sue under § 32(1) because the licensor transferred to the plaintiff all of its rights to use the trademark within the licensed territory, including the right to enforce the registered mark); Ultrapure Sys. Inc. v. HAM-LET Group, 921 F. Supp. 659, 666 (N.D. Cal. 1996) (court held that licensee qualified as an assignee when the license agreement gave the plaintiff exclusive use of the licensed trademark in the U.S. and did not set forth any restrictions on its ability to enforce the mark); Hako-Med USA, Inc. v. Axiom Worldwide, Inc., No. 8:06-CV-1790-T-27, 2006 WL 3755328, at *6 (M.D. Fla. Nov. 14, 2006) (Although the licensing agreement did not grant licensee the ability to enforce the trademark rights, neither did it restrict the ability to enforce). See also Shoney's Inc. v. Schoenbaum, 686 F. Supp. 554, 563 (E.D. Va. 1988), aff'd, 894 F.2d 92 (4th Cir. 1990) (plaintiff-licensee had standing under § 32(1) claim where the license agreement provided for cooperation between the licensor and licensee in protecting the trademark).

\textsuperscript{25.} See Finance Inv. Co., 165 F.3d at 533 (no standing found where licensee did not have rights to enforce the trademark unless the licensor declined to sue and the court found no admissible evidence showing that licensor consented to the suit).

\textsuperscript{26.} For example, in Kia Motors Am., Inc. v. Autoworks Distrib., No. 06-156, 2007 WL 4372954, at *3 (D. Minn. Dec. 7, 2007), the court held that the license agreement's requirement that the licensee notify licensor of any infringements and follow the licensor's instructions in challenging the infringement supported the conclusion that the licensee had
Finally, courts have consistently ruled that a licensee does not have standing under Section 32(1) where the license agreement imposes quality control restrictions on the licensee’s use of the licensed mark.\textsuperscript{27} However, it is unclear whether the express inclusion of such restrictions, without more, would preclude standing. In cases addressing this issue, some or all of the factors discussed above also weighed against permitting the licensee to maintain a Section 32(1) action. For example, in Calvin Klein and Gruen,\textsuperscript{28} both of which held that the licensee did not have standing, the license agreement expressly stated that the licensor retained all rights in the trademark. In Kia Motors, the licensor’s rights to bring an enforcement action were subject to certain contractual restrictions.\textsuperscript{29}

The remaining Bliss factors are not dispositive to determine whether a licensee has standing under Section 32(1). For example, although some cases have found that “geographic limitations on a licensee’s territory” are inconsistent with an assignment and a basis for finding that the licensee had no standing,\textsuperscript{30} other cases have held that the licensee has standing even though it had exclusive rights only within a particular geographical territory.\textsuperscript{31} In addition, some courts have found that restrictions on a licensee’s ability to assign its trademark rights weigh against standing,\textsuperscript{32}

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\textsuperscript{28} Calvin Klein, 2001 WL 1456577, at *5; Gruen, 955 F. Supp. at 983.

\textsuperscript{29} See supra note 26.

\textsuperscript{30} See Finance Inv. Co. (Bermuda) Ltd. v. Geberit A.G., 165 F.3d 526, 532 (7th Cir. 1998); Calvin Klein, 2001 WL 1456577, at *5.


\textsuperscript{32} Gruen, 955 F. Supp. at 984 (finding agreement to be license where transferee was required to obtain transferor’s approval before assigning trademark rights). Gruen also stated that royalty payments was indicative of a license, not an assignment. In Gruen, the licensee was obligated to make royalty payments, and the license could be terminated for failure to make those payments. But see Bliss Clearing Niagara, Inc. v. Midwest Brake Bond Co., 339 F. Supp. 2d 944, 960 (W.D. Mich. 2004) (finding that the licensee had standing even
while others have indicated that it is not a dispositive factor.\textsuperscript{33}

In sum, the following circumstances are likely to lead a court to deny standing to a licensee wanting to bring a Section 32(1) claim: (1) the license agreement explicitly states that the licensor retains exclusive ownership of the mark, (2) the licensee cannot exclude the licensor from using the mark in the licensed territory, (3) the license agreement limits the licensee’s ability to enforce the mark against infringers, and (4) the licensor expressly retains the right to exercise quality control over the licensee’s use of the licensed mark.

However, the advantages of suing for infringement of a registered trademark under Section 32(1) over suing under Section 43(a) may be more atmospheric than real. Except with respect to the special provisions against counterfeiting, the available remedies are the same.\textsuperscript{34} A trademark registration provides procedural advantages such as \textit{prima facie} evidence of ownership, validity, and the exclusive right to use the registered mark in commerce,\textsuperscript{35} but these advantages do not necessarily depend on the plaintiff being the owner of the registration. It is the certificate of registration that provides those advantages, and one need not be the record owner of the registration to benefit; a non-owner entitled to sue for trademark infringement also can rely on the registration for the presumptions it offers.\textsuperscript{36}

\section*{C. Dilution Claims Under Lanham Act Section 43(c)}

Section 43(c)(1) of the Lanham Act, now better known as the Federal Trademark Dilution Revision Act of 2006 (FTDRA), provides that “the owner of a famous mark” is entitled to an injunction against another person’s use in commerce of a mark or trade name, if such use begins after the mark has become famous

\textsuperscript{33}Cf. Osawa & Co. v. B & H Photo, 589 F. Supp. 1163, 1179 (S.D.N.Y. 1984) (holding agreement to be assignment and not license where transferee agreed to not assign trademarks to a third party); Premier Dental Prods. v. Darby Dental Supply Co., 794 F.2d 850, 856 (3d Cir. 1986) (holding that certain limitations on otherwise valid assignments do not transform agreement into license).

\textsuperscript{34}See 15 U.S.C. 1117(a).

\textsuperscript{35}15 U.S.C. § 1057(b).

\textsuperscript{36}See Calvin Klein Jeanswear Co. v. Tunnel Trading, No. 98 Civ. 5408, 2001 WL 1456577, at *7 (S.D.N.Y. Nov. 16, 2001) (finding that the licensee satisfied “the first prerequisite to [its § 43(a)] claim—that of establishing rights to a valid mark” by submitting copies of the registrations for the trademarks at issue).
and is likely to cause dilution by blurring or tarnishment of the famous mark.\textsuperscript{37}

The use of the term “owner” appears to prohibit a licensee from maintaining an action under Section 43(c), and courts generally have applied the same analysis to evaluate a licensee’s standing under Section 43(c) as under Section 32(1).\textsuperscript{38} This approach is consistent with the legislative history of the original Federal Trademark Dilution Act of 1996 (FTDA), which indicates that the class of dilution plaintiffs originally was contemplated to be “registrants of famous marks.”\textsuperscript{39} The legislative history suggests that Congress changed “registrants” to “owners” to protect a broader class of famous marks (both registered and unregistered), rather than to narrow the intended class of plaintiffs.\textsuperscript{40} Accordingly, the class of plaintiffs with standing to sue for dilution as “owners” of famous marks appears to be co-extensive with the class of plaintiffs with standing to sue for infringement as “registrants” of registered marks.\textsuperscript{41}

For example, in \textit{STX, Inc. v. Bauer USA, Inc.},\textsuperscript{42} the U.S. district court held that the plaintiff, an exclusive licensee, did not have standing to bring an action under the FTDA because only the “owner” of mark has standing to bring an action under the FTDA. In so holding, the court placed emphasis on the fact that the licensor explicitly retained all right, title and interest in and to the licensed marks and the right to determine whether to take action against infringers or imitators.\textsuperscript{43}


\textsuperscript{40} Id. See also Daniel C. Glazer, \textit{Standing on Uncertain Ground to Enjoin Dilutions: Law on Whether An Exclusive Licensee May Sue to Stop Use of a Famous Trademark Is Still Evolving}, Nat’l L. J., Apr. 30, 2001, at C21, col. 1 (reviewing the legislative history of the FTDA).

\textsuperscript{41} See Roger D. Blair & Thomas F. Cotter, \textit{The Elusive Logic of Standing Doctrine in Intellectual Property Law}, 74 Tul. L. Rev. 1323, 1377 (March 2000) (“The same [standing] rules that apply under Section 32(1) probably also apply to federal claims for trademark dilution”).


\textsuperscript{43} Id. See also World Championship Wrestling, 46 F. Supp. 2d at 122 (in denying motion to dismiss for lack of standing under § 43(c), court held that plaintiff may be able to
However, in STX, the district court acknowledged that an exclusive licensee has a property interest in a licensed trademark when the license agreement does not restrict the licensee’s ability to enforce the trademark.\textsuperscript{44} Subsequently, a U.S. district court in Connecticut denied the defendant’s motion to dismiss for lack of standing on the grounds that the plaintiff-licensee potentially could demonstrate that the license agreements at issue transferred greater ownership rights in the licensed trademarks than the license agreement in the STX case.\textsuperscript{45}

In \textit{ICEE Distributors, Inc. v. J & J Snack Foods Corp.},\textsuperscript{46} the U.S. district court held that the distributor lacked standing to sue under the FTDA where it was merely an exclusive licensee. Although the distributor had the exclusive right to use the trademarks in the territory, the exclusive right to sue for trademark infringement in its territory, and the unconditional right to transfer or assign its rights in the trademarks, the district court considered the following provisions in the distributorship agreement persuasive in finding that the agreement was inconsistent with an assignment: (1) the distributorship agreements contained strict geographic limitations, (2) the licensor had the ability to monitor the quality control of the licensee’s product and had responsibility to renew the trademark registrations, and (3) the agreement did not explicitly exclude the licensor from using the marks in the licensee’s territory.\textsuperscript{47}

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show that its licensing agreement provides greater ownership right in the marks than the one at issue in STX).
\textsuperscript{44} 1997 WL 337578, at *3.
\textsuperscript{46} 325 F.3d 586 (5th Cir. 2003)
\textsuperscript{47} See also Trump Plaza of the Palm Beaches Condo. Ass’n, Inc. v. Rosenthal, No. 08-80408-CIV, 2009 WL 1812743 (S.D. Fla. June 24, 2009) (non-exclusive licensee had standing under false association or affiliation claim, but not dilution claim); Multimin USA, Inc. v. Walco Int’l, Inc., No. 4:06-CV-260-A, 2007 WL 1686511, at *3 (N.D. Tex. June 8, 2007) (exclusive licensee did not have standing under § 32(1) or § 43(c) where the agreement explicitly stated that the licensor owns the trademark and that the trademark shall at all times remain the property of licensor); BMW of N. Am., Inc. v. Au-Tomotive Gold, Inc., No. 96-384-CIV-J-20B, 1996 WL 1609124, at *3 (M.D. Fla. Jun. 19, 1996) (preliminary injunction denied because licensee offered no proof regarding the actual terms of the relationship between itself and the licensor).
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III. JOINDER

A. Joinder of Licensor

Even if a trademark licensee has standing to maintain a claim for infringement, dilution, or unfair competition under the Lanham Act, the licensee may be required to join its licensor as a party to the action. In some circumstances, the licensee’s failure to join the licensor can result in dismissal of the lawsuit.

Joinder of parties in a federal action is governed by the two-step analysis set forth in Rule 19 of the Federal Rules of Civil Procedure. Rule 19 first requires the court to determine whether the absent party is “necessary” under Rule 19(a), which states,

A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party in the action if (A) in that person’s absence, the court cannot accord complete relief among existing parties, or (B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person’s absence may (i) as a practical matter impair or impede the person’s ability to protect that interest; or (ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.48

If the absent party is deemed to be necessary but cannot be joined—either because it is not subject to service of process or its presence will deprive the court of subject-matter jurisdiction—then the court must determine whether the absent party is “indispensable,” such that the action may not go forward without the missing party. Rule 19(b) directs the court to determine “whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed.”49

Courts consider four factors in determining whether a party is indispensable:

(1) the extent to which a judgment rendered in the person’s absence might prejudice that person 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 person’s absence would be adequate, and (4) whether

the plaintiff would have an adequate remedy if the action were dismissed for non-joinder.50

Courts typically require a trademark licensor to be joined as a necessary and indispensable party in a Lanham Act claim brought by a licensee,51 due to the potential harm to the licensor’s interest in being able to fully exploit its mark if the opposing party prevails, as well as the potential prejudice to the opposing party, who may suffer multiple or inconsistent obligations if the licensor subsequently sues on its own.52

However, at least one court has held that the trademark licensor was not a necessary or indispensable party to trademark infringement litigation. In Etri Inc. v. Nippon Miniature Bearing
the U.S. district court did not require joinder of the licensor in an infringement action brought by the licensee because the terms of the license agreement indicated that the licensor had authorized the licensee to act as its representative in any such litigation. The license agreement required the licensee to advise the licensor if it learned of a possible trademark infringement and required the licensor to make available any information in its possession that would assist the licensee in the infringement action.

The district court rejected the defendant’s argument that nonjoinder would subject the defendant to multiple litigations, because the licensor and licensee were in privity of contract, and principles of res judicata would prohibit the licensor from bringing a second lawsuit. In reaching this conclusion, the district court relied on the fact that (1) both companies represented the same legal interests, which were to protect the trademark and recover damages for infringement, and that (2) both parties were involved in the litigation and the licensor was aware of the litigation and was contractually required to assist the licensee in its lawsuit.

Other courts have allowed cases to proceed in the absence of the trademark owner or licensor without specifically addressing Rule 19 considerations. In Bliss Clearing Niagara, the U.S.
District Court for the Western District of Michigan allowed the trademark licensee to proceed with its Section 32(1) and Section 43(c) claims without including the licensor as a party to the action. Similar to the facts in Etri, the license agreement in Bliss Clearing Niagara provided that the licensee had the right and the discretion to pursue infringement actions, and if it did so, the licensor was required to “sign all documents and provide such other assistance” as the licensee requested. However, unlike in Etri, the joinder issue was not discussed.

In Krasnyi Oktyabr, Inc. v. Trilini Imports, the U.S. District Court for the Eastern District of New York held that the licensee had standing to bring suit on its own under Section 32(1) as the licensor’s “legal representative” (but not its “assignee”) because the licensor designated the plaintiff-licensee as the licensor’s agent to bring actions to enforce the licensor’s trademark rights. Similarly, in National Football League Properties v. Playoff Corp., the U.S. District Court for the Northern District of Texas held that an exclusive licensing representative had standing to was not a necessary party in action under Sections 32(1) and 43(a), without discussion of precedent in other jurisdictions (and noting that there was no precedent within its jurisdiction that requires the owner of a trademark to join an action for trademark infringement as a necessary party). Court relied on the license agreement’s delegation to plaintiff of the obligation to sue for trademark infringement).


59. The license agreement itself gave plaintiff “the right to use aforesaid trademarks . . . for protection of its exclusive rights.” Id. at *4. In addition, plaintiff attached to its complaint the affidavit of the licensor’s managing director. The affidavit stated, “If any court, for any reason whatsoever, shall determine that the above agreements do not grant [plaintiff] the right to commence such enforcement actions with respect to the trademarks, this position will serve as a permit issued by [licensor], effective as of [the effective date of the license agreement] . . . authorizing [plaintiff] to act as an agent . . . in the matter of exercising full rights and remedies in accordance with the provisions of its trademarks, including any pending civil actions, and any and all similar actions that may be initiated in the future.” Id., at *5. But see National Licensing Ass’n, LLC v. Inland Joseph Fruit Co., et al., 361 F. Supp. 2d 1244, 1255 (E.D. Wash. 2004) (Court held that plaintiff, who was given right to sue for infringement of patents and trademarks, but no other proprietary interests, had no standing to sue under 32(1). Court rejected plaintiff’s argument that it qualified as a legal representative without some showing of an interest in the trademarks akin to the interests of the trademark registrant or its assignee); International Soc’y for Krishna Consciousness of W. Pa., Inc. v. Stadium Auth. of the City of Pittsburgh, 479 F. Supp. 792 (W.D. Pa. 1979) (same).

60. The license agreement was clear that the licensor retained the ownership in all of its trademarks and that it only had exclusive rights in the U.S. to sell to the “Russian ethnic market,” but that the licensor could license other parties to sell them outside the Russian ethnic market in the United States. 2007 WL 1017620, at *4.

bring suit in its own name under Sections 32(1) and 43(a)(1) because the license agreement gave the licensing representative the right to bring suit against infringers of the licensed trademarks. However, neither of these cases specifically addressed the possibility of dismissing the action for failure to join the licensor.

The decisions in *Etri*, *Bliss Clearing Niagara*, *Krasnyi*, and *National Football League Properties* all suggest that a court may be willing to find that the trademark licensor is not a necessary and indispensable party in a Lanham Act claim if the license agreement gives the exclusive licensee an unrestricted right to bring suit in its own name. Such a conclusion appears sound in light of the two main reasons cited by courts for requiring joinder, namely, harm to the licensor's interest and the defendant's risk of multiple litigations. When a licensor confers the right to sue to its licensee, the licensor has acknowledged—implicitly, if not expressly—that the licensee is capable of sufficiently protecting the licensor's interests in litigation. Accordingly, it would be unreasonable for the licensor to expect to have, or for the law to permit, a separate opportunity to the licensor to enforce its rights in the licensed mark in a subsequent lawsuit against the same infringer.

These four decisions also are consistent with cases decided under the U.S. Patent Act, where courts have held that an exclusive licensee is entitled to sue for patent infringement without joining the title owner of the patent if the licensee has obtained the sole right to sue for infringement.62 Courts have

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62. Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA, 944 F.2d 870, 875 (Fed. Cir. 1991) (the policy of preventing the possibility of two suits on the same patent against a single infringer is not undercut when the licensor has been given the sole right to sue); Radionics, Inc. v. Elekta Instruments AB, No. 93-10014-Z, 1994 WL 175028 (D. Mass. Apr. 26, 1994) (following *Vaupel* in holding that the exclusive licensee had right to bring suit for patent infringement in its own name). See also *Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007) (citing *Vaupel* for the proposition that even if a patentee has not transferred formal legal title, a patentee may effect a transfer of ownership for standing purposes if it conveys all substantial rights in the patent to the transferee, and the transferee will have standing to sue in his own name); *Morrow v. Microsoft Corp.*, 499 F.3d 1332 (Fed. Cir. 2007) (same); *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005) (same); *Abbott Labs. v. Diamedix Corp.*, No. 94-1345, 1994 WL 782247, at *3, n.3 (Fed. Cir. Jul. 26, 1994) (an exclusive licensee that has the sole right to sue for infringement may be entitled to sue without joining the patentee) (citing *Vaupel*); *Hako-Med USA, Inc. v. Axiom Worldwide, Inc.*, No. 8:06-CV-1790-T-27, 2006 WL 3755328, at *5 (M.D. Fla. Nov. 14, 2006) ("Essential rights that the court should examine to determine whether an exclusive licensee can bring suit in its name alone are "the right of exclusivity, the right to transfer and most importantly the right to sue infringers") (citing *Biagro W. Sales, Inc. v. Helena Chem. Co.*, 160 F. Supp. 2d 1136, 1144 (E.D. Cal. 2001)).
recognized that the same general rules governing joinder in patent and copyright cases should be applied in trademark actions.63

B. Joinder of Licensee

There are few cases on the issue of whether a trademark licensee is a necessary or indispensable party in an infringement cause of action brought by the licensor, although one case reached the conclusion that the trademark licensor and licensee “both have actionable rights at the same time, and they both must join in any action to enforce either’s rights under the trademark.”64

Arguably, the same rationale for requiring joinder of trademark owners—to prevent harm to the licensor’s interest and to prevent two or more (possibly inconsistent) lawsuits involving the same trademark—also should apply to requiring joinder of exclusive trademark licensees.65 In fact, recent cases decided under the U.S. Patent Act have held that an exclusive patent licensee is a necessary and indispensable party in an infringement suit if the exclusive license is tantamount to an assignment.66 Thus, if the

63. JTG of Nashville, Inc. v. Rhythm Band, Inc., 693 F. Supp. 623, 626 (M.D. Tenn. 1998). See also Wright et al., Federal Practice & Procedure § 1614 (“an exclusive licensee whose rights are infringed must bring an action jointly with the patent owner or copyright proprietor . . . [t]he few other decided cases indicate that the same general rules applied in patent and copyright litigation will be employed in trademark actions.”).


65. See Roger D. Blair & Thomas F. Cotter, The Elusive Logic of Standing Doctrine in Intellectual Property Law, 74 Tul. L. Rev. 1323, 1396 (March 2000) (arguing that courts should routinely require the exclusive licensee to participate in infringement litigation, absent a waiver of his right to participate). See Amgen, Inc. v. F. Hoffman LaRoche Ltd., 456 F. Supp. 2d 267, 283 (D. Mass. 2006) (a rule requiring joinder of the licensee “ostensibly furthers the goal of preventing multiple concurrent or seriatim lawsuits”) (citing Independent Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 468-75 (1926)). Even though an exclusive licensee may not sue alone, it arguably could force a patentee to join its suit involuntarily. 456 F. Supp. 2d at 283.

66. Amgen, Inc., 456 F. Supp. 2d 267 (citing Aspex Eyewear, Inc. v. Miracle Optics, Inc., 434 F.3d 1336, 1344 (Fed. Cir. 2006) (“For the same policy reasons that a patentee must be joined in any lawsuit involving his or her patent, there must be joinder of any exclusive licensee.”); Dr. Fred Hatfield's Sportstrength Training Equip. Co. v. Balik, 174 F.R.D. 496, 500 (M.D. Fla. 1997) (both the owner and exclusive licensees are generally necessary parties in the action in equity) (citing Independent Wireless Tel. Co., 269 U.S. 459); Norvell v. McGraw-Edison Co., 270 F. Supp. 57 (D.C. Wis. 1967) (holding that exclusive licensee was a necessary party in patent infringement suit); Cooper v. Digital Processing Sys., Inc., 182 F.R.D. 242, 248 (N.D. Ohio 1998) (stating that exclusive licensee’s ownership of the right to sue was a “fundamental issue” in determining whether the licensee was a necessary party), aff'd, 215 F.3d 1342 (Fed. Cir. 1999); Zenith Elecs. Corp. v.
Joinder rules developed in patent claims are equally applicable to trademark actions,\(^{67}\) then exclusive trademark licensees should be necessary and indispensable parties in a Lanham Act claim, provided that the license agreement does not otherwise restrict their right to sue. However, it remains to be seen whether courts will adopt that reasoning.

**IV. DRAFTING CONSIDERATIONS**

As discussed above, trademark law will, in the absence of contrary drafting, give both a licensor and a licensee standing to enforce a trademark, but will not necessarily allow one to proceed without the other. If the issue is raised by the other side, in federal cases the Federal Rules of Civil Procedure will, in most cases, require joinder of both to proceed. This can lead to potential conflicts and duplicative expenses.

Given the importance of trademark rights, the lack of an explicit delineation of the right to assert, and thereby protect, a licensed trademark might seem surprising, unless a party is deliberately trying to hedge its future bets about litigation. The lessons of the cases, however, are that standing and joinder are issues that deserve careful thought and drafting in a license agreement. Whether as a licensor or a licensee, a party would usually have a significant interest in either being the one to decide upon and bring litigation (at one extreme) or staying out of litigation altogether (at the other extreme). A party who has surrendered the right to control litigation involving a trademark arguably would have a corresponding interest in not being dragged into trademark litigation and paying the costs of it.

Judicial opinions on licensee standing generally have deferred to the parties’ expressed intent. Where the license agreement clearly specifies who can bring or defend a lawsuit for trademark infringement, the courts generally have enforced the parties’ contractual choice,\(^{68}\) and where the language clearly states that

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\(^{67}\) See supra note 63.

\(^{68}\) But see supra note 21.
one party will defer to the other party’s decisions regarding litigation, courts have not required joinder of the non-decision-making party.

The right to bring suit to enforce trademark rights and to control the litigation is a valuable one. Every decision about pursuing an infringer involves a cost-benefit analysis in which the risks of allowing the infringement to continue must be weighed against the risks of litigation. A litigant wants to pick its battles wisely, to the extent the law permits. The questions to be considered include: (1) the likelihood of prevailing, (2) the harm from, or importance of, the infringement and the cost to the business or to the value of the trademark from not pursuing the infringement, (3) the cost and expense of pursuing the infringement, and (4) the vulnerability of the trademark to validity challenges if tested in litigation.

A party to a license agreement should seriously consider whether it wants the exclusive right to make enforcement decisions, in which case it likely will bear the burden of legal costs; whether it is willing to share in the decision-making; or whether it prefers to let the other party bear all the burdens of enforcement, understanding that it is putting a valuable asset in the hands of another. If exclusivity in decision-making is desired, the license agreement should clearly address this point; otherwise, as the reported cases have held, both licensee and licensor can sue to enforce a trademark, and the actions of one can dictate the actions of the other, as a lawsuit by one can result in joinder of the other.

Below, we consider drafting considerations in two typical scenarios: (1) where the licensor does not want its licensee to be able to bring lawsuits, or only subject to the licensor’s approval; and (2) where the licensor does want its licensee to be able to bring suit, without involving the licensor in that suit.

A. Restricting the Licensee’s Ability to Bring a Lanham Act Claim

If in drafting a license agreement the licensor seeks to prevent or control the licensee’s ability to bring an enforcement action under the Lanham Act, the most straightforward way to
accomplish that goal is to expressly prohibit such suits in the license agreement, or at a minimum, to require the licensor’s approval before litigation may be commenced. As explained above, courts have held that neither non-exclusive nor exclusive trademark licensees have standing to sue under the Lanham Act for the enforcement of trademarks if the license agreement expressly prohibits it or if it requires the licensee to first obtain the licensor’s permission to bring suits and the licensee fails to obtain that permission.\textsuperscript{70}

For example, in \textit{Visa U.S.A., Inc.}, the U.S. district court found that the licensee did not have standing to bring a \textsection{43(a)} claim where the license agreement provided that the licensor “shall have the sole right to engage in infringement or unfair competition proceedings involving” the licensed marks.\textsuperscript{71} In both \textit{Finance Investment Co.}\textsuperscript{72} and \textit{O.O.C. Apparel},\textsuperscript{73} the license agreement required the licensee to notify the licensor if it learned of any infringements and gave the licensor sole discretion to decide whether to take appropriate action. In \textit{Finance Investment Co.}, the licensee could institute an action only if the licensor failed to do so;\textsuperscript{74} and in \textit{O.O.C. Apparel}, the license agreement specifically provided that the licensee “may not take any action with respect to the Licensed Mark without Licensor’s prior approval.”\textsuperscript{75}

\textbf{B. Granting the Licensee Rights to Bring a Lanham Act Action on Its Own}

A more complicated situation arises if the licensor wishes to grant the licensee the right to bring enforcement suits without the necessity of the licensee or ability of the adverse party to join the licensor involuntarily. Given the elements of a putative license that have been held to be equivalent to an assignment and therefore to transfer sufficient rights to the licensee to confer standing (e.g., lack of quality control, exclusivity that also excludes the licensor from entering the territory, and grant of unrestrictive right to enforce the mark legally within the territory) the question

\begin{itemize}
  \item 70. \textit{See supra} notes 8 and 25 and accompanying discussion. However, these cases only deal with Lanham Act claims and do not address whether the licensee would still be precluded from bringing an enforcement suit under any applicable state law claims.
  \item 72. \textit{Finance Inv. Co. (Bermuda) Ltd. v. Geberit A.G.}, 165 F.3d 526, 532 (7th Cir. 1998).
  \item 73. 2007 WL 869551, at *3-4.
  \item 74. 165 F.3d at 532.
  \item 75. 2007 WL 869551, at *4.
\end{itemize}
is why call something a license that acts like an assignment? Why not just draft an assignment and explicitly call it that? If both a belt and suspenders are desired, the agreement can also specify that the assignee has all rights to enforce the trademark and that the assignor will cooperate in such suits by providing such information as may be required.

Especially given the danger of losing the trademark through abandonment if quality control provisions are not included in a license, a clearly stated assignment would in most cases be preferable to an awkwardly stated license. It would be a rare circumstance, guided more by emotive than legal rationales (such as attachment to the idea of being the owner of the mark), in which it should be necessary to go through the tortuous exercise of constructing an agreement that looks, acts, and reads like an assignment, but is nevertheless called a license.

Of course, a licensor can give the licensee the right to sue for trademark infringement and can make that right absolute to the exclusion of the licensor. If the licensor wishes to remain out of the litigation, it need only follow the guidance of the *Etri* case and explicitly authorize the licensee to act as its representative in any such litigation and commit itself to assist in it and provide such information as the licensee may reasonably require.

V. CONCLUSION

Issues of standing to sue for infringement and the right to join or be left alone in someone else’s infringement cause of action should be carefully considered and drafted in the formation of trademark licenses. Language addressing the handling of offensive and defensive litigation should not be considered boilerplate, but should instead be negotiated and customized to the clearly enunciated needs and interests of the specific parties. Lack of care in the initial drafting of a license easily can lead to an unwanted and expensive involvement in a lawsuit or lack of control over a valued trademark.

76. See, e.g., BarcAmeric Int'l USA Trust v. Tyfield Importers, Inc., 289 F.3d 589, 596 (9th Cir. 2002) (affirming decision of district court that plaintiff had abandoned its mark by failing to include any quality control provisions in its license agreement and failing to adequately oversee licensee’s operations); Doebblers’ Pa. Hybrids, Inc. v. Doebler, 442 F.3d 812, 823-24 (3d Cir. 2006) (noting that a trademark license typically contains express terms giving the licensor power to engage in quality control to ensure that the licensee does not engage in mere “naked” use of the mark, which can result in abandonment of the mark).

77. See supra note 54 and accompanying discussion.
A trademark license agreement should state clearly who has the ultimate right to decide whether to commence enforcement proceedings and whether the other party is entitled to remain excluded from the ensuing litigation. Like so many aspects of contracts, potential licensees and licensors will be well-served to pay greater attention to clarifying their intent with respect to handling future litigation and drafting clear and unambiguous contract language to reflect that intent in the license agreement.