

Client Bulletin

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Problem: Naked Licensing leaves Trademark Owners exposed to Abandonment Claims

A Michigan Appeals Court recently ruled that naked licensing leaves trademark owners exposed to abandonment claims. Naked licensing is the practice of allowing others to use the trademark without exercising reasonable control over the nature and quality of the goods, services, or business on which the mark is used by the licensee. The federal trademark act, the Lanham Act, explicitly states that naked licensing constitutes “abandonment” of a trademark, in that trademark holders who engage in naked licensing relinquish all rights to their mark. Abandonment is a defense to an infringement claim. The Michigan Trademark and Service Mark Act does not explicitly state that naked licensing constitutes “abandonment” of a trademark, and instead defines “abandonment” to mean mere non-use, or implied non-use, of the trademark. However, the Michigan Appeals Court ruled that a mark holder who engages in naked licensing is not able to sustain a trademark infringement claim under the Michigan Trademark Act or at common law, because the naked licensing of a mark renders that mark not valid as a trademark. See the full appellate court opinion at: http://publicdocs.courts.mi.gov:81/OPINIONS/FINAL/COA/20140909_C311723_36_311723.OPN.PDF

Solution: If you want to leverage and protect the value of your IP and trademarks have your IP lawyer create a carefully crafted licensing agreement with detailed use restrictions, and you should carefully monitor the licensee’s use of the mark.

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