
Keeping Up with the Standing of Licensees in Trademark Infringement Cases

Kroma Makeup EU, LLC v. Boldface Licensing & Branding, Inc.

By: Manon Burns and Francyn Brown | April 5, 2019

This week, in *Kroma Makeup EU, LLC v. Boldface Licensing & Branding, Inc.*, the Eleventh Circuit held that a Plaintiff trademark licensee lacked standing to enforce a trademark, even though the licensee had been granted an exclusive license to import, sell, and distribute products branded with the mark in Europe, because the Plaintiff licensee, Kroma EU, was not granted enforcement authority in the licensing agreement. Case No. 17-14211 (11th Cir. April 1, 2019).

The owner of a trademark must police third party use of her mark. Otherwise, the trademark may lose its strength and the mental association that consumers make between a particular mark and a particular source will weaken, as consumers are exposed to different sources using the same mark. When entering into license agreements, a primary consideration should be which entity is authorized, required, or prevented from enforcing the trademark rights associated with the licensed mark(s). When a licensee is not authorized to enforce a mark, it is obligated to rely upon the judgment of the licensor, which may not always align with the view of the licensee. Such was the case in *Kroma Makeup EU*.

With the prevalence and pervasiveness of social media, celebrity endorsements of products are more popular than ever. In this case, the Kardashian sisters endorsed a cosmetic line that used an allegedly infringing name—“Khroma Beauty”—that was sold and manufactured by Boldface Licensing & Branding, Inc. After the owner and licensor of the infringed-upon KROMA mark had independently and successfully moved for a preliminary injunction against Boldface and settled the dispute (the product being rebranded, of course, as “Kardashian Beauty”), Plaintiff Kroma EU, exclusive licensee of the KROMA mark in Europe, filed suit against Boldface and the Kardashians for trademark infringement for their infringing activity in Europe. Kroma EU also filed suit against the owner of the trademark for breach of contract.

The Kardashians moved for summary judgment, arguing that Kroma EU did not have standing to bring the trademark infringement action and that it was barred by claim preclusion. Kroma EU disagreed, arguing that the Lanham Act provided it a cause of action to anyone who believed that they were likely to be damaged. The district court kept up with the Kardashians’ arguments, holding that the license agreement only authorized the owner of the mark, and not Kroma EU, to enforce the trademarks; Kroma EU merely was directed to inform the mark owner of any suspected infringement.

The Eleventh Circuit agreed with the district court, finding that the Lanham Act should not be read so broadly as to allow all factually-injured plaintiffs to have standing to sue and recover damages for trademark infringement. Further, it discussed that the license agreement plainly allowed the trademark owner to retain all enforcement rights, and thus Kroma EU was not granted sufficient “rights in the name” to sue under the Lanham Act. The combination of the provisions requiring the trademark owner to protect the trademark, requiring Kroma EU to inform the owner of any misuse, and requiring the

trademark owner to compensate Kroma EU for losses from infringement were read together to preclude Kroma EU from having the standing to enforce the mark.

The court pointed out that Kroma EU had recourse if it was damaged by trademark infringement—filing suit against the trademark owner for breach of contract if the owner failed to indemnify it.

The enforcement obligation is a critical component of a license agreement, and language should be crystal clear on which party is authorized or prevented from enforcing trademark rights. Otherwise, the interpretation of the contract will be under the purview of the court, which may not appreciate all of the nuances of what was intended.