

CONTRACTS—LICENSING—THE LANHAM ACT DOES PROVIDE A
REMEDY FOR A FALSE SPONSORSHIP CLAIM—*Mastercard International, Inc. v. Sprint Communications, Co.*, No. 94 CIV.
1051(JSM), 1994 WL 97097 (S.D.N.Y. Mar. 23, 1994).

In *Mastercard International, Inc. v. Sprint Communications Co.*, No. 94 CIV. 1051(JSM), 1994 WL 97097 (S.D.N.Y. Mar. 23, 1994), Mastercard contracted with ISL Football in March 1991 for the right to be the official sponsor of the 1994 World Cup Soccer Tournament. *Id.* at *1. This agreement gave Mastercard the exclusive right to place the World Cup '94 trademark on "[a]ll card-based payment and account access devices (including, without limitation, credit cards, charge cards, travel and entertainment cards, on-line point of sale debit cards, check guarantee cards, and cards that combine two or more of the foregoing functions.)" *Id.*

In May 1991, ISL Football and World Cup 1994 entered into a marketing agreement which gave World Cup 1994 the right to enter into contracts with other corporations and authorized World Cup 1994 to be "official partners" with ISL Football in the use of the World Cup '94 trademark. *Id.* Specifically, the agreement between ISL Football and World Cup 1994 provided that "official partners shall not have the right to use the mark on any card based payment and account access devices." *Id.*

In May 1992, World Cup 1994 entered into a contract with Sprint which allowed Sprint to become an official partner and exclusive long distance telecommunications carrier of the 1994 World Cup. *Id.* As a result, Sprint proceeded to issue over one hundred thousand calling cards bearing the World Cup '94 trademark. *Id.* The cards contained a number that the user entered into the telephone or read to an operator. *Id.* The cards did not contain information about the user or a magnetic strip that would allow a user to make a credit purchase. *Id.* Mastercard filed suit seeking a preliminary and a permanent injunction that would force Sprint to discontinue issuing cards with the World Cup '94 trademark. *Id.* The injunction also would refrain any other party from infringing upon Mastercard's contract with ISL Football. *Id.*

The United States District Court for the Southern District of New York questioned the importance of the issues in the case but reluctantly acknowledged the monetary value of the issues. *Id.* The court determined that based solely on contract language Mastercard

had the exclusive right to place the World Cup '94 trademark on "card-based payment and account access devices." *Id.* at *2. The court reasoned that even if the contract language was not clear the extrinsic evidence showed that ISL Football gave Mastercard the exclusive right to use the World Cup '94 trademark on telephone calling cards. *Id.* The court also found that Mastercard had a valid claim for equitable relief under Section 43 of the Lanham Act, 15 U.S.C. § 1125(a), against Sprint for issuing cards with the World Cup '94 trademark and for creating a false impression concerning the exclusive sponsorship of the World Cup '94 trademark by Mastercard. *Mastercard*, 1994 WL at *2. The court reasoned that Section 43 of the Lanham Act requires that "only a likelihood of confusion or deception need be shown in order to obtain equitable relief." *Id.* (citing *Warner Bros. v. Gay Toys*, 658 F.2d 76, 79 (2d Cir. 1981)). The court also dismissed Sprint's claim that Mastercard's unreasonable delay in seeking injunctive relief should bar Mastercard's rights to equitable relief. *Id.* at *4.

Judge Martin, writing for the court, first examined the contract language of the agreement between Mastercard and ISL Football. *Id.* at *2. The court recognized that the Sprint cards were "card based payment and account devices," and the court rejected Sprint's argument that the cards do not need to be used if the customer memorized the number or recorded it somewhere. *Id.* The court concluded that the number on the card is a card-based access device. *Id.*

The court also observed that even if the contract language was ambiguous, extrinsic evidence in this case indicates that ISL Football contracted with Mastercard to give Mastercard the exclusive right to place the World Cup '94 trademark on telephone calling cards. *Id.* at *2. The court noted two situations prior to the suit where the parties raised this issue. *Id.* The first situation involved a response by ISL Football to an inquiry by World Cup 1994 about whether World Cup 1994 could license Sprint to use the World Cup '94 trademark on telephone calling cards. *Id.* Judge Martin indicated that the response by ISL Football stated in unequivocal terms that World Cup 1994 could not allow Sprint to use the World Cup '94 trademark on calling cards because the contract between Mastercard and Sprint resolved this issue by granting Mastercard the exclusive right to calling cards. *Id.* Secondly, the court noted that Mastercard believed that its exclusive right extended to calling cards when it communicated that belief to a Japanese company

that wished to use the World Cup '94 trademark on a credit card and when it denied many other requests by sponsors to use the World Cup '94 trademark. *Id.*

Judge Martin held that ISL Football granted the exclusive right to card-based payment and access devices to Mastercard in March 1991, and that World Cup 1994 knew ISL Football's situation regarding telephone calling cards when World Cup 1994 contracted with Sprint because of ISL Football's answer to World Cup '94's inquiry. *Id.* The court noted further that the contract between Mastercard and ISL Football covered any products "similar to the products for which Mastercard had been granted an exclusive license" and the language of the contract afforded Mastercard "broad protection" which covered telephone calling cards. *Id.*

The court then turned to Mastercard's claim for relief under Section 43 of the Lanham Act. *Id.* at *3. The court explained that the nature of Mastercard's claim is that Sprint created a "false impression concerning the sponsorship of the World Cup by Mastercard," and, as a result, was engaged in false advertising. *Id.* The court stated Mastercard, the exclusive licensee, had standing under the Lanham Act because the Lanham Act creates a right of action for "any person who . . . is likely to be damaged by . . . false description or representation." *Id.* (citing Quabug Rubber Co. v. Fabiano Shoe Co., Inc., 567 F.2d 154, 160 (1st Cir. 1977)). In addition, the court observed that, while the Lanham Act deals only with false descriptions or representations, the United States Court of Appeals for the Second Circuit recognized a false sponsorship claim such as the claim made by Mastercard in this case. *Id.* (citing Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd. 604 F.2d 200 (2d Cir. 1979)).

Judge Martin then analyzed whether Mastercard could satisfy the test for a preliminary injunction under Section 43(a) of the Lanham Act. *Id.* (citing Frisch's Restaurants v. Elby's Big Boy, 670 F.2d 642, 651 (6th Cir.), *cert. denied*, 459 U.S. 916 (1982)). The court reasoned that Mastercard would suffer irreparable harm by the loss of its exclusive right to issue cards with the World Cup '94 trademark. *Id.* The court observed that Mastercard established the importance of its position by its past refusals to allow other parties to use the World Cup '94 trademark. *Id.* The court noted that Mastercard did not sanction other sponsors to use the World Cup '94 trademark because it would diminish the value of Mastercard's exclusive right. *Id.* Continuing his analysis, the judge stated that

while Mastercard must demonstrate that the Sprint cards actually deceived consumers in order to recover damages under Section 43 of the Lanham Act, Mastercard only must demonstrate a likelihood of confusion or deception in order to receive equitable relief. *Id.*

The court summarily rejected Sprint's argument that Mastercard needed to satisfy the *Polaroid* factors to show that Sprint infringed on Mastercard's trademark. *Id.* at *4. (citing *Polaroid Corp. v. Polarad Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961)). In *Polaroid*, the United States Court of Appeals for the Second Circuit stated that the degree of the similarity between the two trademarks is determined by examining whether the two trademarks create actual confusion in the minds of the consumers, the quality of the defendant's product, and the defendant's good faith in adopting the mark. *Polaroid*, 287 F.2d at 495. The court in *Mastercard* stressed that the issue in *Mastercard* was different, and the court distinguished *Polaroid* by stating that the parties in *Mastercard* were not arguing over the use of similar trademarks. *Mastercard*, 1994 WL 97097 at *4. In *Polaroid*, Polaroid alleged that the Polarad's use of the name Polarad as a trademark infringed Polaroid's federal trademark and state trademarks. *Polaroid*, 287 F.2d at 493. The court reasoned that in *Mastercard*, Sprint sought to use the identical trademark that Mastercard had the exclusive right to use and not a trademark that was similar. *Mastercard*, 1994 WL at *4.

The judge also rejected Sprint's argument that Mastercard must demonstrate that Sprint's use of the mark will cause confusion as to the producer of the competing calling card. *Id.* The court stated the likelihood of confusion requirement should not be read too narrowly. *Id.* Judge Martin reasoned that the United States Court of Appeals for the Second Circuit stated in prior cases that "in order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market . . . The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies this confusion requirement". *Id.* (quoting *Dallas Cowboys Cheerleaders*, 604 F.2d at 204-05). The court concluded that Sprint was imparting the false notion that it had the exclusive right to use the World Cup '94 trademark on its calling card, and the court reasoned that Mastercard, the exclusive owner of the right to use the World Cup '94 trademark, could enjoin Sprint from that misleading use. *Id.*

The court concluded by dismissing Sprint's assertion that

Mastercard's unreasonable delay in commencing the action amounted to laches and showed that Mastercard was not suffering irreparable harm. *Id.* The court stated that because Sprint agreed to a consolidation of the hearing on a preliminary injunction and the trial on the merits, a need did not exist to decide the issue of unreasonable delay. *Id.* Judge Martin further emphasized that the court did not find that Mastercard unreasonably delayed in bringing its action because World Cup 1994 would not commence until June 1994. *Id.* Additionally, Mastercard consistently asserted its position as exclusive owner of the right to use the World Cup 1994 trademark on card based payment and account access devices. *Id.* The court enjoined Sprint from using the World Cup '94 trademark on any card issued in connection with the payment of its services or in any manner that conflicts with the exclusive right that ISL Football granted to Mastercard. *Id.* at *5.

The United States District Court for the Southern District of New York indicated in a footnote that Sprint mistakenly stated that thirty-two billion people will be watching the 1994 World Cup. *Id.* According to Judge Martin, since only five billion people exist in the world, the parties should reassess the importance of the issues in this case to reach a settlement. *Id.* The court appears to have misinterpreted the Sprint's statistic, because Sprint was referring to the cumulative audience that would watch the 1994 World Cup. For example, the 1986 World Cup had a cumulative audience of 12.8 billion people. *The World Cup Games Finally Come to America*. BUS. AM., May 17, 1993, at 2. It is expected that World Cup 1994 will have a cumulative audience greater than twenty-six billion people. *Soccer's Last Frontier*, ECONOMIST, Dec. 4, 1993, at 100. The World Cup soccer tournament is expected to have one of the largest television audiences ever for a sporting event. Patricia Sellers, *The Best Ways to Reach Your Buyers*, FORTUNE, Autumn-Winter 1993, at 12.

The court mistakenly described the legal issues in *Mastercard* as lacking significance, but the court failed to grasp the economic issues underlying the legal issues. The fact that World Cup 1994 will be watched by billions of people makes the issue of whether Mastercard had an exclusive right to place the World Cup '94 trademark on telephone calling cards an important issue in the marketing arena.

Despite the court's misunderstanding of the importance of the legal issues in the case, *Mastercard* reminds contractors who at-

tempt to become World Cup 1994 sponsors of the need to draft their contracts carefully. Particularly, the parties must have a clear meeting of the minds. Parties should have an equal understanding of their rights and obligations under the licensing contract, and it should be ascertained whether the other contracting party has the authority to contract any of those rights and obligations to another party. If the parties do not draft their licensing contracts carefully, the court could enjoin companies mistakenly believing that they are official sponsors of a particular event because of the likelihood of confusion or deception in the minds of the consumers.

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