



THE **IP** DRIVING
LICENCE **HANDBOOK**

WYNNE-JONES 
own thinking



Don't roll the dice
on Brexit.

Introduction

A merchandise licence is an agreement between two parties:

- > **Licensor** - An artist, designer, trade mark owner or celebrity, etc; and
- > **Licensee** - A manufacturer or retailer.

The licensor grants a licence to the licensee to manufacture and sell articles of merchandise that use the property that is the subject of the licence, in exchange for a royalty from those sales. Typical licensed properties include characters, character names, celebrity names, logos and artwork, and book, TV show and movie titles. Licensed merchandise may include clothing, greetings cards, calendars, toys, games, housewares, jewellery, toiletries, cosmetics and collectibles.

Merchandise licensing can be profitable for both the licensor and the licensee. A well-executed licensing program can provide:

- > **the licensor** with additional income, publicity and recognition, and
- > **the licensee** with an opportunity to profit from the goodwill associated with the licensor's properties.

“

She's from the
leash and
license set...
he's footloose
and collar free!

Lady and the Tramp / © Disney

”





You know the name, you know the number.”

GoldenEye / © Eon Productions



Licensed property

In the UK and the EU, merchandising properties are normally protected by trade mark registration, design registration, unregistered design rights and/or copyright. Trade mark registrations and design registrations are monopoly rights; unregistered design rights and copyright are rights to prevent copying. The difference is that, with a monopoly right, there can be infringement even when there hasn't been copying. Therefore, monopoly rights are the stronger and better rights to own.

Trade marks

Trade marks can be words, logos, or a mixture of both, and, in fact, anything that is capable of distinguishing one person's goods or services from another's. In effect, a registration of a word as a trade mark is a name, and a number..... (James Bond, 007.....).

In the EU, trade marks are registered rights, with protection being granted by the EU Intellectual Property Office (IPO). In the UK, trade marks are registered at the UK IPO, but it is also possible to have unregistered trade marks, which are based on common law rights that are acquired through use. Use results in reputation; reputation results

in goodwill; and goodwill results in protectable common law rights. However, in general, it is not advisable to rely on unregistered trade marks. Registration rules!

A trade mark that becomes widely recognized by consumers can help distinguish a licensing program from other similar programs, and may allow the licensor to obtain a higher royalty than would otherwise be the case. While it is possible to have more than one mark for a licensing program, most licensors will find that there is greater value in having a single trade mark across all product lines rather than trying to establish several different marks for the same program.

The first step in adopting a trade mark is to select an appropriate mark. The mark may have some connection to the theme or focus of the licensing program, but it should not be a descriptive or generic term for the products in question, and it also should not be confusingly similar to any other trade mark that is already in existence.

In order to help determine the latter, it is a good idea to apply your own knowledge of the industry, and also to conduct a trade mark search. The search will look for potentially conflicting registered (and pending) trade marks in the

territory or territories concerned. In the case of a common law country, like the UK, it is sometimes a good idea to conduct a search for unregistered trade marks as well, but this is not always easy to do - by definition, there is no register to check.

If it appears that the trade mark is available for use, the next step is to apply to register it. Sometimes, the mark per se may not be sufficiently distinctive to be registrable. In these instances, it is common to add some distinctive material, such as a logo, and apply for the mark in this form.

Registration must be done territorially. A UK trade mark registration protects a trade mark in the UK and an EU trade mark registration protects a trade mark in the EU.

Registration confers several benefits on a trade mark owner, not least the ability to tackle infringers. It follows from this that it also gives the trade mark owner something to licence. If a mark is registered, anyone who uses it without the owner's authorisation infringes. Put simply, a licence entitles a licensee to do something that otherwise would be an infringement.

- > For a trade mark owner, registration is advisable in the UK (because it is not a good idea to rely on unregistered trade mark rights), and absolutely essential in the EU, in which rights in a trade mark usually go to the first to register it, not the first to use it.
- > For a would-be licensee, registration is essential because that is what it is paying for - namely, the right to use the trade mark, with the exclusion of others. Most would-be licensees will be reluctant to enter into a trade mark licence unless the mark is registered.

Besides being done on a territory by territory basis, trade mark registration must also be done on a class by class basis. Goods and services are divided in 45 classes, and a trade mark application can cover multiple classes. However, you have to specify the goods and services of interest to you in each class, and you cannot add goods or services after an application has been filed. If you leave out something important, you have to go back and file

a fresh application to cover the missed-out goods or services. Therefore, care and foresight is important, especially considering that a typical merchandise licensing program may cover products in ten or more different classes.

If cost is an issue, the licensor should at least register in the class or classes for which use has already begun or is imminent, and in any other classes that are likely to be important. For example, if the licensor currently has deals for toys and greetings cards, and feels that the properties covered by the licensing program are ideally suited for use on clothes and magazines, it should apply to register its trade mark in class 28 (toys), class 25 (clothes) and class 16 (greetings cards). As it happens, magazines are also in class 16, so it can save the cost of needing to file a second application later in class 16 by filing now for "greetings cards and magazines" in class 16. Hence, the importance of thorough preparation...

In conclusion, a trade mark can add substantial value to a licensing program, provided the mark is properly selected, diligently protected, and well managed.

Designs

Designs protect the appearance of the whole or part of a product resulting from its features of shape, pattern, configuration and ornament.

A design can be protected if it is new and has individual character compared with designs that are already in the public domain.

Slightly at odds with the situation regarding trade marks, in the EU, designs can be registered or unregistered. The same is true in the UK, although there are significant differences between EU unregistered design rights and UK ones. For example, in the EU, unregistered design right lasts 3 years, whereas in the UK it lasts 15 years. Also, EU unregistered design right protects 2D objects (like graphic symbols - such as computer icons and typographical typefaces) as well as 3D ones, colour and surface decoration, whereas UK unregistered design right does not.

“What’s up Doc?”

Bugs Bunny / © Warner Bros



“This ain’t no chick flick!”

Chicken Run / © DreamWorks / Aardman



What’s the problem?

A referendum has a binary outcome (win/lose) with the winner taking all. However, in this case, the result was close. Just under 52% voted to leave and just over 48% voted to remain. Also, it was unexpected. Apparently, there had been no preparation in Government or the UK Civil Service for a leave vote.

There was also no majority for leaving the EU in parliament. Amongst members of parliament of the ruling Conservative party, 138 voted to leave the EU in the referendum and 185 voted to remain. In the other main party, Labour, only 10 MPs voted to leave, while 218 voted to remain. Taking members of parliament as a whole, 158 voted to leave the EU compared with 479 who voted to remain – a ratio of almost exactly 3:1 in favour of remaining. So, although UK politicians felt obliged (in the main) to uphold the referendum result as a matter of democracy, most of them had no great enthusiasm for doing so.

What’s going to happen?

No deal -v- Deal -v- No Brexit

The plot of *Chicken Run* centres on a band of chickens who see a smooth-talking Rhode Island Red named Rocky as their only hope to escape from certain death when the owners of their farm decide to move from selling eggs to selling chicken pies.

On 23rd May 2019, Prime Minister May succumbed to pressure to resign and announced that she would officially step down both as leader of the ruling Conservative party and as Prime Minister, just as David Cameron had done nearly 3 years earlier. This announcement kick-started a fiercely fought Conservative party leadership campaign over the subsequent months. The winner and the front runner throughout, was the charismatic, if divisive, Boris Johnson. Move over Rocky, there’s a new Rooster in Town...

When Boris Johnson entered office on 7th June 2019, he knew that:

he default position remains that the UK will leave the EU on 31st October 2019 unless there is a deal (in which case there will be a transition period and a delayed date of actual leaving); and

Taking into account the summer recess in July and August, and party conferences in September, there would only be 50 days for Brexit to be resolved and approximately only 25 days when Parliament would be sitting to make a difference.

Prime Minister Johnson had promised to take the UK out of the EU by 31 October “Deal or No Deal” but Parliament was as divided as ever, with MPs in entrenched positions, and therefore had the power to block a no-deal Brexit thereby prolonging the stalemate.

In a move described as a deliberate attempt to force through his No Deal Brexit agenda, Prime Minister Johnson took the decision to shut down parliament (prorogation) for an unprecedented five weeks, further reducing the number of days Parliament could sit, and thereby potentially thwarting any possibility of Parliament voting to further extend Article 50.

His opponents were not prepared to sit back and allow for a “cliff edge” Brexit and enacted The Ben law the intention of which is to force the Conservative Government to seek a three months extension from the EU member states (i.e. until 31 January 2020), if no agreement is reached by the current deadline.

However, the biggest twist in this action-packed drama was the judgement of the UK’s highest court in proceedings brought by those opposed to the Government and Brexit. The Supreme Court ruled that Prime Minister Johnson’s decision to prorogue parliament was unlawful and of no effect.

So, the hens are still in jeopardy from those chicken pies.

“
Do or do not.
There is no ‘try’”

Yoda in Star Wars / © Lucasfilm



Time to change

At least, as far as intellectual property is concerned, we already know the likely outcomes of Brexit, regardless of what kind of Brexit we get.

Obviously, if there is no Brexit, nothing changes, but, assuming that Brexit happens, no matter how it happens, the changes will be more or less the same. Broadly speaking, what we expect to happen is as follows:

The good news is that, with Patents, there will be no change. European patents are governed by the European Patent Convention, and the Europe referred to here is geographical Europe, not political Europe (ie not the EU). The UK will remain part of the European Patent Convention after Brexit, no matter what.

The bad news is that most merchandise licences do not rely on patents at all.....

With registered and pending trade marks and designs, there will be significant changes. Specifically:

> If you have a **trade mark or a design that is already registered**, it will remain registered in both the EU-27 (i.e. the 27 countries that will remain the EU after the UK has left) and the UK, but there will be two separate registrations, one in EU-27 and one in UK.

- > **If you have a trade mark or a design that is a pending EU application**, it will only continue in the EU-27. You will have 9 months to file an equivalent, but separate, UK application, back-dated to the same date as that of the corresponding EU application.
- > If you **apply to register a trade mark or a design after Brexit**, you will need to file two separate applications, one in EU-27 and one in UK.

The landscape for unregistered designs in the UK will also change:

- > **UK unregistered design right will continue.** Current law states that a UK design right can be established by an individual who is resident in the EU or by a business formed under the laws of an EU member State, and where first disclosure of the design occurs in an EU member state. This means that activity inside of the EU but outside of the UK can be sufficient for establishing UK design right.
- > After Brexit, qualification for the right will be limited to persons resident in, and businesses formed under the laws of, the UK or “a qualifying country”. Where qualification is a result of first marketing, you will need to have

disclosed your design in the UK or “a qualifying country” (i.e. a country with which there is an agreement in place).

- > **Continuing unregistered design (CUD).** Designs that are currently protected in the UK as an EU unregistered design right will continue to be protected in the UK after Brexit as a so-called UK Continuing Unregistered Design (CUD).

> The fact that the original EU unregistered design right was established prior to exit day through first disclosure in the EU but outside of the UK will not affect the ongoing validity of the resulting continuing unregistered design.

- > **Supplementary unregistered design (SUD).** After Brexit, there will be a new UK unregistered design right called Supplementary Unregistered Design (SUD). SUD will mirror the EU unregistered design right by providing post-exit UK protection for both three- and two-dimensional designs that would have otherwise enjoyed protection under EU unregistered design right.

> The introduction of this right will ensure that the full range of design protection provided in the UK prior to Brexit will remain available after the UK leaves the EU.

> The terms of SUD protection will be similar to that already conferred by UCD. However, the protection it provides will not extend to the EU.

If the UK leave the EU with a deal, much the same provisions will apply. So, it is mainly a question of timing. These things could come about in a couple of year's time ... or they could come about as soon as 1st November 2019.

“
The past can
hurt. But you can
either run from it,
or learn from it.”

The Lion King / © Disney PIXAR

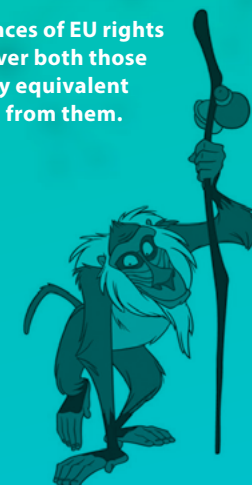
The future of licences

More good news!

In the event of no deal, the UK IPO has said that an existing licence that refers to EU rights and authorises acts in the UK will be treated as if it applies to the comparable, cloned UK trade mark, and so will have effect in the UK after Brexit. It is expected that that the same will be true if there is a deal.

This is important because otherwise a licensee who has previously been authorised to use those rights throughout the EU could suddenly find themselves in a position where continued use in the UK amounts to infringement.

So, existing licences of EU rights will probably cover both those EU rights and any equivalent UK rights cloned from them. But...



The **Prince** isn't charming.
The **Princess** isn't sleeping.
The **sidekick** isn't helping.
The **ogre** is the hero.
Fairy tales will
never be the same again. ”

Shrek / © DreamWorks



Existing Licences are not always what they seem

Despite the intention that existing licences should remain intact after Brexit, this is not necessarily going to be the case. Until the referendum, those writing agreements had never envisaged the UK (or anyone else) leaving the EU:

- > Thus, many licences, written in “legal speak” define the territory of the agreement as being “the EU as constituted from time to time”. If the wording in an existing licence describes the territory as “the EU as constituted from time to time”, this will prima facie exclude the UK after Brexit. (If the territory is simply defined as “the EU”, the licence should continue to be recognised in the UK after Brexit).
- > Bizarrely, if left un-amended, an existing licence agreement that refers to a single EU right (say an EU trade mark) in a single territory (the EU) will come to be the legal basis for the licensing of two rights over two territories:
 - An EU trade mark in the EU; and
 - A UK trade mark (which didn't exist when the licence was entered into and isn't mentioned in the licence agreement) in the

UK (which isn't mentioned as a separate territory in the licence agreement and which may diverge from the EU over time in terms of things like regulatory control).

- > Finally, many existing EU licences are in English and have been written by English lawyers. In a lot of cases, these licences state that the governing law is English law and that disputes will be determined by UK courts.
 - After Brexit, although UK Courts still will be able to handle contractual disputes between parties to such a licence, they will have limited jurisdictional powers. For example, they may not be able to deal with questions relating to the validity of EU trade marks or designs.
 - This means that, if an existing agreement stipulates that disputes will be determined by UK courts, (and no other courts are mentioned), and such a dispute arises, the UK Courts may be unable to decide on the issue and the party that wishes to bring the dispute finds it has no means of doing so.

New Law

It is also important to realise that the legal rules governing the UK portion of an existing licence will change with Brexit.

This is because the licensing of UK trade marks is governed by sections 28 to 31 of the UK Trade Marks Act 1994, whereas the licensing of EU trade marks is governed by Articles 22 and 23 of the EU Trade Marks Regulation. And they are not the same.

UK law does not require that transactions are registered per se, but there are advantages to licensees if they are. Firstly, a licence of a UK trade mark is only effective against a third party acquiring a conflicting interest (such as a party buying the UK trade mark, or a subsequent licensee whose rights conflict) if it has been registered at the UK IPO. Furthermore, the rights of an exclusive licensee to enforce the UK trade mark in its own name are contingent on the licence having first been registered at the UK IPO. Yet further, damage suffered by the licensee will only be taken into account by a UK court in its assessment of compensation for infringement if the licence is registered.

Licensees need to know this, but, to make sure they discharge their own responsibilities under the terms of a licence, licensors should also be aware of it so that they can tell their licensees about it.

Moreover, recording licences at the UK IPO is relatively cheap and easy. The official fee is only £50 and recordal can be done without the licensor's involvement if the licensee supplies a copy of the licence. However, recordal at the EU IPO may need to be done before Brexit (i.e. possibly before 31st October 2019). The UK IPO recognises that applications to register licences relating to UK cloned trade marks cannot be submitted before those rights are created, so it intends to allow licensees 12 months from Brexit day to register the licence at the UKIPO, providing that the licence is already registered at the EU IPO before Brexit.



Ahhh...
it's got
that new
movie
smell. ”

Cars / © Disney PIXAR



“Houston we have a problem!”

Apollo 13 / © Universal Pictures



WYNNE JONES

Potentially a comedy of errors... of sorts

Every merchandise licensing deal is based on the understanding that the licensee's use of the licensed artwork or trade mark will not subject the licensee to any claims of trade mark (or other intellectual property right) infringement, or to any claims that the rights in question belong to, or have already been licensed to, someone else. The licensor will usually be required to make representations and give warranties to this effect in the licence agreement, and to indemnify (i.e., insure) the licensee against any financial liabilities it may incur should someone bring a claim against it for its use of the licensor's rights.

Indemnity clauses represent a potential risk for licensors, so licensors should be wary of Brexit. As fully-independent UK rights, cloned rights may be challenged, assigned, licensed or renewed separately from the original EU rights. Each of these things could spell trouble:

> **Challenge.** In the case of trade marks, there are a number of trade marks that have been registered by the EU that might not have been considered registrable in the UK. Once there are UK clones of such EU trade marks and they are independent of the EU trade marks, they will be attackable. So, the licensor needs to consider this

and, if there is a chance its trade mark will be considered descriptive or deceptive in the UK, it may want to file a UK application before Brexit for a stylised or logo mark that is more difficult to attack.

> **Assignments.** With assignments, there is a risk that the separate EU and UK registrations of a trade mark or design could end up in different ownership.

- As long as the EU and UK rights are owned by companies within the same group, the situation is manageable – but, obviously, one of those parties is not going to be party to the existing licence agreement, so a separate licence agreement will be needed).
- In a nightmare scenario for a licensor, the UK (or EU) right could be sold to an entirely independent company because that part of the licence agreement is overlooked. This is especially a risk with a UK right, and an EU licence that doesn't mention it and only describes the territory as the EU.

> **Licences.** As EU licences will prima facie survive Brexit, and as it will be possible to licence UK cloned rights separately from their EU parents, licensors need to be careful they do not enter into new licence agreements that are inconsistent with an existing one that dates from the time the UK was part of the EU. For example, if a licensor has already entered into an exclusive EU licence, it will not be able

to enter into a new UK licence without firstly terminating the surviving UK part of the earlier EU licence.

> **Renewals.** Administratively, Brexit creates challenges because there will be new trade mark and design registrations that are not currently in existence, have no UK representatives or address-for-service, and are not in any renewals diaries. Licensors need to make sure their separate, independent UK rights are renewed and properly managed after Brexit, as well as their EU ones.

> **The peculiar problem of Supplementary Unregistered Designs.** As we have seen, SUDs will be established by first disclosure in the UK or a qualifying country. Currently, the EU is not a qualifying country (or territory) and so first disclosure in the EU will not create UK protection under SUD. This means that licensors need to carefully consider how, when and where to first disclose its designs in order to establish unregistered protection in both the UK and the EU. First disclosure in the EU will not establish SUD. However, it may destroy the novelty in that design, should you later seek to claim UK unregistered rights. So, to be protected in both the EU and the UK, a new design will need to be disclosed in both the EU and the UK on the same day.

Seven more little things to consider

1. Licensed Products and Existing Licences

The licensee will want to know the trade mark or design is registered for use on the merchandise in question in the territory or territories in question. Where there are EU trade mark and design applications pending on Brexit day, the licensor needs to make sure it takes up the option of creating equivalent UK applications within the next nine months. Being slow to do this could result in delay, which may hold up the licence, and mean the licensee misses a vital fair or exhibition for launching the merchandise that year. For some categories of products, failure to exhibit prototypes at an annual industry trade show (such as New York Toy Fair, held each February) will effectively keep the licensed products out of the marketplace for another year. Failure to do so at all would be even worse because this could result in the licensor having no rights in the UK, and hence having nothing to licence in the UK (no “peg” on which to hand a licence).

2. Licensed Products and New Licences

For new trade marks and designs, a would-be licensor needs to file separate applications in both the EU-27 and the UK. If both rights will be the foundation for a single European licence, the licensor will need to try to ensure consistency (in terms of date, mark and goods/services) between both the EU application and UK one, and the registrations that result from them. This may mean that it is an advantage to have the same attorney handling both your EU cases and your UK ones.

Please note also, that for nine months after Brexit, there will be a risk that a newly filed UK application will be pre-dated by a later-filed one that is based

on an EU application that was pending on Brexit day. This exemplifies the importance of conducting pre-filing trade mark searches.

3. Territory

Licensors usually want to limit the territory of a licence to countries in which the licensee has a presence. After Brexit, however, not all existing licensees will have a presence in both the EU-27 and the UK. In such circumstances, Brexit may impact on an existing licensee’s ability to import and sell merchandise in both the EU and the UK. In the short term, we do not know whether the EU and the UK will be trading on agreed terms once Brexit takes effect, or on World Trade Organisation terms (which would apply in the event of a no-deal Brexit). In the longer term, we do not know what the future trading relationship between the EU and the UK will be like.

If an existing licensee proves proficient after Brexit in – say – the EU-27, but not in the UK, a licensor may wish to try to partially terminate the licence and appoint a new licensee in the UK.

4. The Grant of Rights

Intellectual property rights give a right holder certain exclusive rights. These include the right to control distribution of the product. The exhaustion of intellectual property rights refers to the loss of the right to control distribution and resale of a product after it has been legitimately put on the market in a specific territory, currently the European Economic Area (EEA).

EU countries

Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy,

Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

EEA countries

The EEA includes EU countries and also Iceland, Liechtenstein and Norway. (Switzerland is neither an EU nor EEA member but is part of the single market).

If a product has been lawfully placed into free circulation in the EEA before Brexit and the intellectual property owner’s right to control its distribution and resale have been exhausted in the UK and rest of the EEA, those rights will remain exhausted in the UK after Brexit. So, an intellectual property owner wanting separate licensees in the UK and the EU-27 going forward may not be able to stop importation into the UK of licensed merchandise from the EEA, or vice versa. This could have serious consequences in terms of things like representations and warranties that a licensor has to give to a licensee, especially if the licensor seeks to give the new licensee an exclusive licence in its territory.

5. Grant

A merchandise licence is a legally-binding contract, and the grant of a licence by a licensor commits it to legal obligations. In the case of an existing licence, what will be the position if the UK clone of a licensor’s EU trade mark is cancelled, or its UK application derived from a corresponding EU application fails? Could this be a breach of contract? The answer is possibly – it would be worth checking the terms of the licence agreement for provisions relating to so-called “force majeure”. Certainly, if you need to re-register your trade mark in the UK,

“ The Happiest, Dopi-est, Grumpiest, Sneeziest movie of the year...”

Snow White and the Seven Dwarfs / © Walt Disney



you could end up with a word mark registered in the EU and a logo mark registered in the UK, necessitating changes to any existing licence.

6. Quality Control

In the case of existing EU licences, upon Brexit, there will be a single licence with single set of quality control provisions. After Brexit, however, UK regulations may diverge from EU ones. This is unlikely to be a problem with merchandise licences, but it is worth being mindful of the possibility. An example of the sort of thing that might happen in a non-merchandise situation would be in relation to the importation into the UK of chickens from the US after Brexit. In the US, chickens for consumption are typically washed in chlorine; this may be permissible in the UK after Brexit, but it will not be permissible in the EU. Therefore, in a case like this, a single licence with a single set of quality control provisions would not be appropriate.

7. Performance

Similar considerations apply here. In the case of existing EU licences, upon Brexit, there will be a single licence with a single set of performance provisions, and this may not work or be appropriate going forward. For example, after Brexit, a licensor may wish to measure performance in the EU-27 and the UK separately. It may no longer be appropriate to have single measures of things like minimum sales, guarantees and advertising expenditures. It also may be easier to present financial data separately according to currency (£ and €).

“ Save the Day! ”

The Incredibles / © Disney PIXAR

Recommended action

Licensing has always benefited from a “brain-led” not a “brain-dead” approach, and that is more the case than ever in light of Brexit. The UK IPO has gone to a lot of trouble to ensure that no one needs to lose rights after Brexit that they have enjoyed before Brexit. But, there is much that can still go wrong. The basic recommendations are simple:

1. In the case of existing licences, conduct through reviews and, assuming the parties are in agreement, amend existing licences to ensure everything is clear (and, at the same time, clarify the position regarding future EU joiners/leavers). The same is true for licences currently under (re-)negotiation.
2. In the case of new licences, both licensees and (especially) licensors, should do very careful due diligence before signing.



“

I'm gonna make him an offer he can't refuse



The Godfather / © Paramount Pictures

The basics of a merchandise licence agreement

Before entering into a merchandise licence, the licensor and licensee should agree on the terms of the licence, and should sign a written licence agreement to serve as the road map for their relationship. This is what generates the magic.

While there are some generally accepted rules in the industry, the licensor and the licensee are usually free to put together the whatever deal they want.

1. The Licensed Property

The licence agreement should clearly identify the property or properties to be licensed. As a judge once said, a property right is “a peg on which to hang a licence”. It is important to make sure the peg is strong enough to carry the weight of the garment you want to hang from it. More on licensed property later.

2. The Licensed Products

The agreement should contain a complete description of the licensed merchandise, including details like size, colour and

composition (eg fire retardant materials, non-lead paint, etc). These products should be within the scope of protection of the Licensed Property.

3. The Territory

The licence agreement should specify the geographic areas in which the licensed merchandise can be sold. The Licensed Property should be fully protected in that territory (or in those territories).

4. The Grant of Rights

A licence agreement should grant the licensee the right to manufacture, import, market, distribute, sell and advertise licensed products. It should also specify whether the grant is exclusive or non-exclusive. If the grant is exclusive, the licensor will not be able to grant the same rights to any other licensee in the same territory. If the grant is non-exclusive, the licensor will be able to grant the same rights to others, provided it does not try to do so on an exclusive basis.

5. Quality Control

If the licensed property is a trade mark, the licence agreement must include adequate quality control provisions and the licensor will need to show that it is diligently policing the way in which its mark is used. This is important. Without policing the licence, the licensor may lose the rights in its trade mark. The licensor should approve all licensed merchandise and all related packaging and advertising materials before they are released to the public. It should also have the right to inspect sample products and/or the premises where they are made, and it should do so at regular intervals to check that the standards of production are upheld. Depending on the property and the type of merchandise covered by the agreement, the licensor may want approval rights at various stages of the production process, including, for example, initial plans and specifications, prototypes and final production runs.

6. Quality Control

(a) Sales Efforts

The licensor will want to ensure that the licensee makes a good faith effort to manufacture and sell licensed products, particularly if the licence is exclusive.

(b) Guarantee

The licensor can require the licensee to guarantee that royalties will reach a certain amount. If total royalties do not reach that amount, the licensee will be obliged to pay the difference to the licensor.

(c) Minimum Sales Requirements

A guarantee will ensure that the licensor receives some compensation for the license, but it may not ensure that the licensee will actively sell licensed products. For example, a licensee may decide that it is more cost effective to pay the guarantee than to manufacture and sell licensed products, especially if it has, in the meantime, entered into another license with someone else for potentially competing products that offer greater potential for profit. In order to prevent this from occurring, a licensor can also include annual minimum sales requirements.

(d) Advertising Commitment

The licensor will often want the licensee to commit to spend a certain amount, usually calculated annually, for advertising the licensed products. The agreement should list the types of expenditures that will be included or excluded in satisfying the advertising commitment. Some licensees may offer a large advertising commitment in lieu of, or as a partial credit against, a guarantee.



250+ ATTORNEYS | 500+ STAFF MEMBERS | 11 REGIONAL OFFICES

AT WYNNE-JONES IP WE SOLVED THE BREXIT ISSUE BEFORE WE KNEW UK CITIZENS WOULD VOTE 'LEAVE'. WE ESTABLISHED AIPEX. A PAN-EUROPEAN IP BUSINESS

Wynne-Jones IP is a founding partner in AIPEX and all our attorneys work for both firms, meaning that they can continue to represent clients before the EUIPO post-Brexit.

AIPEX is the address for service for all the community designs and EU trade marks on the books of Wynne-Jones, so we retain complete control of all client affairs. However, most importantly for licensing and consumer products IP owners, Wynne-Jones clients in the UK will notice no difference in day to day client management.

Secure your IP across Europe

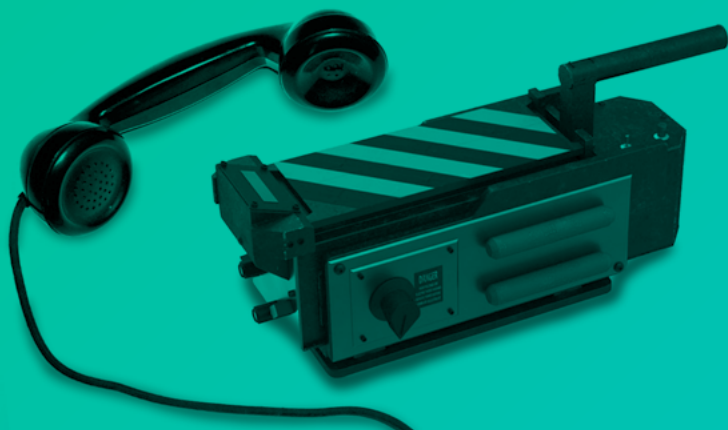
Connect with our network of pan-European partner offices.

E: info@aipex.eu | www.aipex-ip.com

“

Who Ya Gonna call? ”

Ghostbusters / © Columbia Pictures



Get in touch

Victor Caddy

Director, Trade Mark & Design Attorney

T: +44 (0)20 3146 7888 | E: victor.caddy@wynne-jones.com

Kirsty Barr

Business Development & Client Services Manager

T: +44 (0)20 3146 7888 | E: kirsty.barr@wynne-jones.com

www.wynne-jones.com | www.aipex-ip.com
Wynne-Jones and AIPEX

WYNNE-JONES 
own thinking