International Trade Mark Licensing
Taking Your Brand Global

Welcome

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Overview

- Business conversations to drive international licensing projects
- Key issues for licensing across multiple jurisdictions
- Key antitrust considerations
- Managing disputes and enforcement
- Licence formalities, registration requirements and risks
- Red flags - when to engage local counsel and specialists
- Future-proofing brand licences
  - adapting key provisions for compliance with international trade mark laws
  - giving your standard form licence agreements an “international refresh”
International licensing can take many forms

- **Entering new markets**
  - Licence
  - Franchise, Joint Venture or partnership

- **Brand extensions**
  - Product or service diversification
  - Merchandising

- **Business operations**
  - Manufacturing, distribution
  - Outsourcing, service delivery

- **Business transactions**
  - Acquisition or disposal of business
  - Brand “splitting”

- **International structuring**
  - Tax and transfer pricing
  - Restructuring

- **Disputes**
  - Settlement and co-existence
  - Cross-licensing
International licensing is complex
Key business conversations

- Consult sales, marketing, product development, PR, digital, accounting, management and/or legal representatives
- Where are we taking the brand? What are our future plans?
- Is it a franchise or a licence?
- Are we granting exclusive rights – e.g. by territory, sector?
- What type of royalty or fee structure do we require?
- Legal and commercial diligence on licensee
- Legal and commercial on local regulatory framework
- How is our brand protected locally?
  - registered IP rights, unregistered rights
  - localised branding: translations, transliterations, character marks, sub-brands
  - domain names and social media accounts and notifications
- How will we manage digital and social media presence?
"ROW" Considerations

- **Nomenclature**
  - Trade mark, Trademark, Trade-mark
  - Licence, License
  - Exclusive, sole, non-exclusive, sole and exclusive, irrevocable
  - Indemnify

- **Territory**
  - Madrid trade marks
  - Regional trade marks (CTM, Benelux, OAPI, Eurasian TM)
  - EU unitary rights – current and future member states?
  - Future markets - diligence? who assumes risk?
Territorial Considerations

- **Rights within territory**
  - Each relevant act of infringement
  - Ability to permit third parties to do those acts
  - All goods and services or only some?

- **Rights outside territory**
  - Import, export
  - Goods in transit
  - Manufacturing and distribution rights

- **Rights not restricted by territory**
  - Internet
  - Digital and social media
  - Generic top level domains
"ROW" Considerations

- **Cultural and linguistic context**
  - Controls on translations, transliterations, character marks
  - Localised branding, sub-brands
  - Regulatory restrictions e.g. labelling and advertising regulation

- **Term and renewal**
  - Long term or perpetual agreements can be problematic
  - Tacit or automatic renewal provisions (e.g. France)

- **Enforcement rights**
  - Additional licensee rights under domestic legislation (e.g. UK, Australia)
  - Requirements for TM owner to be party to any proceedings
"ROW" Considerations

- **Quality control**
  - Sensible level of control over licensee uses
  - Prior approval rights for every use not necessary
  - Explicit intention to exercise control over quality

- **Dispute resolution and governing law**
  - Mechanism: arbitration, mediation, court, bespoke?
  - Location: neutral territory?
  - Agreed exceptions to dispute mechanism (e.g. injunctive relief)

- **Tax**
  - Transfer pricing and tax risks where royalties paid across borders
  - Differing approaches to withholding tax under domestic legislation
  - Is VAT payable and included in quoted fees, royalties?
  - Who bears risk for withholding tax? Who bears currency risk?
Competition / Antitrust considerations

- **Exclusivity**
  - What justification exists for exclusivity?
  - Problematic where restrictions between EU member states
  - Permission for passive sales

- **Restrictions and prohibitions**
  - No-challenge clauses
  - Minimum sales prices or price fixing
  - Non-competition outside context of IP rights

- **Termination rights**
  - Termination right based on challenging validity of IP rights in non-exclusive licences problematic
Licence formalities

- Licence might need to be:

  ✓ In writing
  ✓ Signed by Licensor
  ✓ Signed by Licensee
  ✓ Notarised
  ✓ Legalised
  ✓ Apostilled
  ✓ Approved by a regulatory body or authority
  ✓ Compliant with mandatory provisions on domestic rights or assets
  ✓ Compliant with requirements to adequately define the licensed property (e.g. full trade mark details in schedules, IR vs national designations)
  ✓ Registered or recorded on domestic trade mark register
 Validity of licence and/or underlying trade mark dependant on registration
Registration confers benefits with respect to enforcement and/or regulatory compliance
Registration not possible or no benefits of registration
Registration of licences and interests

- **Validity of licence and/or trade mark dependant on registration**
  - Use by licensee only recognised if licence registered (e.g. to defeat a non-use action)
  - Licence involves national rights which cannot legally be licensed without registration

- **Registration confers benefits with respect to enforcement**
  - Only registered licence can be relied on in domestic proceedings
  - Registered licence effective against innocent third party conflicting interests (e.g. EU and UK)
  - If registered within a prescribed period, licensee can claim costs of proceedings relating to infringements before registration (e.g. UK)
  - Public notification of rights and deterrent
Registration of licences and interests

- Registration confers benefits with respect to local legal and regulatory issues
  - Remittance of royalties abroad facilitated by registration (e.g. China, Brazil, Japan)
  - Prima facie evidence of a valid licence (e.g. South Africa)
  - Domestic permits, licences and funding facilitated
  - Tax benefits

- Registration not possible or no benefits of registration
Registration of licences and interests

International registration strategy – is it worth the expense?

Dependent on a range of factors:

- Number of RED countries
- Longer term or perpetual
- Relationship between the parties
- Nature of trade mark rights
- Presence in, and familiarity with, licensed territories
- Practicality of enforcement and local monitoring
Registration of licences and interests

- National vs Madrid Protocol registration
  - Germany, Australia and New Zealand excluded
  - National recordal required in China, Colombia, Georgia, Greece, India, Japan, Kyrgyzstan, Lithuania, Mexico, South Korea, Moldova, Russian Federation, Singapore and OAPI

- Key licence provisions
  - Licensor required to register or assist with registration?
  - Who controls and pays for recordal process?
  - Who prepares recordal documents?
  - Agreed form recordal licence attached?
  - If there is a choice to register or if registration would benefit the Licensee, can Licensee require registration?
  - What is procedure for removing registrations on expiry or termination of licence?
  - Interim licence to use until registration achieved?
Red flags

- Licence grant
- Buzz words – exclusive, sole, non-exclusive, irrevocable, indemnify
- Legal status of rights – pending applications licensed?
- Rights within and outside territory or channels
- Perpetual / surviving obligations
- Indemnification provisions (e.g. loss of profits, excluded liability)
- Termination triggers for challenging IP rights
- No-challenge, non-compete provisions
- Price controls
- Territorial or channel-based restrictions
- Current and future registration and enforcement obligations
- Anti-bribery, FCPA compliance, data protection
Standard form licence agreements

- Define or spell out key concepts
  - "Exclusive" means to the exclusion of all other persons, including the Licensor"
  - "Material breach" includes any breach of clauses 5, 7, 8 and 10."
  - "Customary Trade Expenses" means…” etc

- Minimise reliance on domestic contractual concepts
  - Reasonable endeavours, best endeavours, best efforts, best commercial efforts

- Include obligations on licensor or licensee to co-operate in good faith with respect to unexpected domestic issues

- Build procedures for expansion, registration of new rights, business planning

- Use “to the extent permitted by applicable law”

- Use warranties, representations and acknowledgements

- Include severability provisions
Alternative approach to licensing projects
Questions