

Essential Terms of a Trademark License

A trademark license is an agreement between a trademark owner (the "licensor") and someone else (the "licensee") wherein the licensor grants permission to the licensee to use a trademark in commerce. Owners of trademarks should use trademark license agreements in order to control who may use their trademarks and how those marks are used. Trademark owners who do not enforce their trademark rights run the risk of others being able to argue that the owner abandoned the mark.

Certain provisions are essential to a trademark license agreement as follows:

1. Identification of the trademark being licensed,
2. Names of the licensor and licensee,
3. Specific trademark rights being licensed, and
4. Quality control over the subject goods or services to be used.

Quality control provisions are necessary because the licensor must exercise reasonable control over the goods or services associated with the mark or the mark may become vulnerable to attack by a third party. In fact, the failure to include a QC provision as well as a quality control protocol can result in a determination that a license is "naked" and unenforceable. Thus, a proper QC provision should provide for (a) how a mark will be used, and (b) the quality of the goods or services being offered.

Other common provisions include:

- **Royalty** - The amount or calculation method should be stated,
- **Time Period, Renewal, and Termination** - The duration of the agreement and terms for renewal and termination are important,
- **Exclusivity** - The agreement should state any exclusivity, and
- **Geographic Scope** - License agreements usually specify the geographic limitations for permissive use of the mark and some countries require registration with the local trademark office in order to be enforceable.

KEY CONCEPTS

- 1 Identify the trademark(s)
- 2 Name the licensor and licensee
- 3 Specify the rights being licensed
- 4 Include QC provisions
- 5 Avoid "naked" licenses
- 6 Consult an IP attorney for "boiler plate" and other terms and conditions

"The right to license a trademark can be an excellent source of revenue for a trademark owner if handled properly.."



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