

PRACTICAL GUIDE

WHAT SHOULD YOU KNOW ABOUT TRADEMARK LICENSING BEFORE EVEN THINKING ABOUT IT?

Are you considering granting rights on your trademark to a third party in order to expand its use to a new market or geographic area? Conversely, are you considering acquiring a trademark right through a license agreement? If yes, the following questions will prove useful as you establish your trademark license agreement.

In order to be valid, every license agreement must address each of the following elements:

- Do you want to license or be licensed the trademark by means of an *exclusive* or a *non-exclusive* license?
- Do you want to license or be licensed the trademark *in part* or *in whole*?
- For what *duration of time* do you want to license or be licensed the trademark? (This duration must be specified and it cannot be equal to the duration of protection of the trademark itself since the trademark is infinitely renewable.)

Once you have determined the specifics of your prospective license agreement, the following guidelines present several relevant considerations:

➤ WHAT ARE YOUR OBLIGATIONS AS THE TRADEMARK LICENSE GRANTOR?

First and foremost, grantors must either be the principal owners of the trademark or possess a license on the trademark which allows granting subsequent trademark licenses.

If the grantor decides to grant a non-exclusive license, the grantor retains the right to use the trademark alongside the grantee or to license it to others. However, if the grantor negotiates an exclusive license agreement, the grantor must cease using the trademark for the duration of the agreement and also ensure that all third parties stop use of the trademark.

Finally, the parties may agree on partial exclusivity (exclusivity for a territory or industry, for example).

➤ WHAT ARE YOUR OBLIGATIONS AS THE TRADEMARK LICENSE GRANTEE?

The grantee of the trademark license shall pay the grantor for the use of the trademark. Payment is typically tendered in the form of royalties, either as a flat fee or a determined percent of revenues resulting from the trademark's use.

Depending on the wording of the licence, the grantee may have a mere right to use the trademark in a defined territory and for a certain type of activities for example or the

grantee may be entitled to use, copy, represent, alter, etc. in any territory and for any type of activity.

➤ **WHAT FORM IS APPROPRIATE FOR YOUR PROSPECTIVE LICENSE AGREEMENT?**

Although written agreements are not strictly required by law, trademark licenses must be registered and published with the INPI (National Institute of Industrial Property), which will require a written agreement. Therefore, a written agreement is highly recommended as it is also generally the only means of evidencing the scope of the license and its duration.

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