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TRADEMARK LICENSING
CONSIDERATION CHECKLIST

Timothy J. Kelly
Fitzpatrick, Cella, Harper & Scinto

Trademark Licensing Consideration Checklist by Timothy J. Kelly¹

Trademark licensing can of course be valuable in many ways - both to the trademark owner and the licensee. For example, from the trademark owner's perspective, licensing can provide a way to increase revenue and brand presence without the need to increase capital. From a licensee's perspective, it can be a way to team existing assets with the hot properties consumers are looking for, thereby creating markets that previously did not exist. Teaming Mars with Dreamworks' *Shrek* character, or Jelly Belly with Warner Brothers' *Harry Potter* characters and themes brought us SHREK M&M's® and BERNIE BOTTS Every Flavor Jelly Beans. Examples of such teamwork abound.

However, any situation that provides the potential for two parties with competing interests to benefit, always comes with at least the potential for conflict. In negotiating a license agreement both sides need to look at all aspects of the deal critically, not only to ensure that they are getting what they are expecting out of the relationship, but also to ensure that are not getting unexpected liabilities, or that they are not burdening themselves with unforeseen obligations. Of course, the ideal way to prevent such unintended consequences would be to plan for every contingency. Unfortunately, the exigencies of the day-to-day world make that unrealistic. Indeed, even if a license draftsman *could* think of every contingency while crafting an agreement, addressing each issue in clear and concise language would be prohibitively time consuming and expensive, if not impossible. The result - perhaps not unexpectedly - is that both sides will have to compromise.

The inherent difficulty in crafting an agreement that gives both sides what they want, is clear enough to provide useful guidance as to the parties' obligations during (and beyond) the license term, and that provides both sides with the protection they need, means that in most cases no two license agreements will be the same. And, while prior agreements can provide good guidance for where to go in the future, there will always be a certain degree

1. ^{*}Timothy J. Kelly is a partner at Fitzpatrick, Cella, Harper & Scinto in New York, and specializes in trademark litigation, licensing and portfolio management.

of molding and shaping that goes into preparing license agreements.

In order to assist with the molding and shaping, and to provide practitioners with guidance in negotiating license agreements, the following checklist outlines key areas that ought to be considered and addressed in reducing license agreements to writing.² It may be that it is not practical to include language relating to each of these issues in every license agreement. While it essential to address some issues (*e.g.*, quality control), it may be enough to simply raise other issues with the client thereby providing an opportunity for consideration. In the end, however, all involved in the license negotiation and drafting process should remember that the language of the agreement is unlikely to see the light of day while the parties are proceeding happily under the license. It is not until something goes awry that the parties will go back and study the language. At that point, of course, it is generally too late to make any changes in the document, and the parties will be forced to live with what they reduced to writing.

The attached Appendix includes sample provisions covering various aspects of the a typical license agreement. As noted, the facts in each case will vary, but the sample language can serve as a starting point in the drafting process.

1. Background -- Who are the Parties and what brings them together?
 1. Generally encompassed in separate "Preamble" or "Recitals" section.
 2. Provides general recitation of who that parties are, and what brings them to the licensing transaction.
 1. Is licensor properly identified?
 2. Is licensee properly identified?

2. The following checklist covers the basic areas that should to be considered in preparing a trademark license. It also provides suggestions with respect to areas that may need to be considered in certain situations, but that would be unnecessary in others. Because facts and the needs and interests of the parties will vary from one situation to the next, there may be issues beyond those referenced in this checklist that should be addressed in a particular licensing scenario.

3. Provides antecedent basis for the license grant – should explain what the parties have and what they are trying to get out of the licensing arrangement.
 4. Licensed Marks -- should be identified in agreement or listed in attached schedule.
2. Definitions -- Are the terms clearly defined?
 1. Terms must be defined within four corners of agreement.
 2. Will either be in a separate section, or will be defined in text of agreement as they occur.
 3. A separate “Definition” section can be helpful in navigating agreement, although it is certainly not required.
 3. Grant -- Is the license grant precisely spelled out?
 1. Statement explaining what one party is allowing the other to do.
 2. Exclusivity:
 1. Is license grant to be exclusive?
 2. Is license grant to be non-exclusive?
 1. will licensor be able to grant other licenses?
If so, for the same goods?
Different goods?
 3. will the licensor have the right to use the mark on products in the territory?
 1. what rights will licensor retain?
 2. will licensor have the right to compete directly with licensee?
Same products?
Same channels of trade?
 3. will licensor retain different rights?
Internet or on-line marketing and sales?
“Factory” or “outlet” stores?

3. Products: the specific products for which the licensee is granted rights should be clearly spelled out in the agreement, either in an agreement section or in an attached schedule.
4. Reservation of rights -- specify what rights licensor will retain.
5. Sub-licensing -- will licensee have right to grant sub-licenses?
 1. if so, what approval rights will licensor have?
 2. what control will licensor have?
 3. what inspection rights will licensor have?
 1. books and record?
 2. facilities?
6. See sample "Grant" clauses in the Appendix
4. Term/Renewal -- is the time frame clearly defined?
 1. How long will the license period be?
 2. Will the licensee have the option to renew?
 1. As of right?
 2. Based on performance during the initial term?
 1. sales minimums?
 2. other performance criteria?
 3. Notice re renewal?
 1. Adequate notice is important for licensor in order to ensure that it has the time to get another licensee if present licensee does not intend to renew.
 2. Similarly, will there be a time by which the parties have to come to agreement on renewal terms and language?
 1. may be important for licensor to know by date certain that it has reached a deal *vis-a-vis*

renewal, in order to give it time to find a new licensee if it can't come to terms with current licensee.

2. will be important to ensure uninterrupted flow of licensed product to consumers.
5. Territory -- Is the geographic area covered by the license clearly identified?
1. Where will licensee have the right to sell the product under the license?
 1. Limited areas within the territory?
 2. Limited trade channels?
 2. Language should be coordinated with "Grant" clause.
 3. Are there other licensees with rights to sell in the territory?
 1. Should be acknowledged.
 2. Rights may need to be coordinated.
6. Product Design -- Is the procedure for designing and obtaining approval for product clearly set forth?
1. How will responsibility be divided?
 2. Will licensee have the right or obligation to design product?
 1. How will product be designed?
 1. dedicated designers?
 2. licensee's in-house staff?
 2. Will licensor be required to provide design input?
 3. Will licensee be required to consider design suggestions by licensor?
 1. to incorporate suggestions?
 4. Should a schedule be set up in agreement to ensure that designs are created and approved in a manner

that will allow adequate time to manufacture product and get it to market, or should licensor rely on experience of licensee to ensure adequate timing?

3. Will licensor have right or obligation to design product?
 1. If so, what obligations will licensor have?
 1. for seasonal items, a requirement to produce designs by certain date?
 2. for standard items, a requirement to review and update annually?
 2. Licensee input?
 1. required?
 2. can often be helpful where license is for foreign territory and where licensee has special knowledge of local tastes and trends.
 3. Does licensee have right to modify designs?
 1. under what conditions?
 2. to what degree?
4. Packaging/Labeling
 1. Who designs?
 2. What approval rights does each party have?
 3. Should licensor be responsible for obtaining labeling and packaging?
 1. can help with preventing counterfeits and infringements.
5. Costs
 1. Is it necessary to address who will pay for designing?
 1. is it part of licensee's operating budget?

2. is it a cost to be deducted by licensee in calculating royalties?
2. Are costs incurred by licensee to be credited against royalty payments?
6. *See* sample Design clauses in Appendix.
7. Manufacturing -- Has production been adequately addressed?
 1. Does licensee manufacture?
 2. Does licensee have right to sub-contract manufacturers?
 3. How are manufacturers chosen?
 1. Does licensor have right of approval?
 2. Does licensor have right to inspect?
 3. Can licensor require licensee to terminate relationship with manufacturer for cause?
 1. what is appropriate "cause"?
 - Human rights violations?
 - Dumping licensed product?
 - Manufacturing licensor's designs, but selling without labels?
 4. Mechanism for licensor approval of manufactured samples or prototypes.
 5. *See* sample Manufacturing clause in Appendix.
8. Royalty -- Are the monetary terms clear?
 1. How is licensor to be paid under the license agreement?
 2. Guaranteed minimum royalty.
 1. Pre-determined figures.
 2. Generally specified for each year of license period.
 3. Percentage royalty.

1. Based on sales.
 1. Straight percentage of sales (*e.g.*, 5% of sales)?
 2. Different percentages for different sales.
 - Venues (*e.g.* 5% on sales to department stores; 3% on sale to discount stores).
 - Products (*e.g.*, 8% for clothing; 5% for toys).
4. Combination of percentage royalty and guaranteed minimums.
 1. *See* sample Royalty clauses in Appendix.
5. Should specify payment dates.
 1. Annually?
 2. Quarterly?
6. Royalty statements.
 1. Licensee should be required to provide audited statements explaining how royalties have been calculated.
 2. *See* sample Royalty statement clauses in Appendix.
7. Licensor's right to audit books and records of licensee.
9. Advertising and Promotion -- Is advertising and promotion of licensed products adequately addressed?
 1. Expenditures.
 2. Accounting.
 3. Approval.
10. Quality Control -- Does licensor retain sufficient quality control?
 1. Products
 1. Agreement should specify means by which quality of products produced by licensee is consistent with image of the licensed trademark and other products sold under trademark.

2. Can be accomplished in various ways, but it is imperative that it occurs.
2. Advertising and promotion
 1. Licensee should provide means by which licensor can ensure that advertising and promotion are consistent with image of licensed trademark.
 3. *See* sample Quality Control clauses in Appendix.
11. Ownership of rights -- Are ownership issues addressed?
 1. License should specify that licensor is the owner of the trademark, and that all activities of the licensee in furtherance of the license inure to the benefit of licensor.
 2. License should specify who owns what with respect to product designs – will licensee be able to produce same products under different trademark after license ends?
 3. License should specify ownership of copyrights in packaging, advertising and promotional materials.
 4. What about new marks or slogans?
 1. who owns?
 2. who pays for filing?
 5. *See* sample Ownership clauses in Appendix.
12. Infringement & Counterfeits -- Are potential third party problems provided for?
 1. License should provide a means for identifying and addressing infringements and counterfeit products.
 1. Does licensor reserve right to take action?
 2. Can licensee take action?
 1. on its own?
 2. with approval of licensor?
 3. only when licensor elects not to take action?

4. right may vary by country.
 2. How are costs allocated?
 3. How will damage awards be allocated?
 4. Will licensee have any obligations to prevent infringement?
 1. Controls on labels?
 2. Controls on packaging?
 5. *See* sample Infringement Clauses in Appendix.
13. Termination -- How will license end and what will happen when it does?
1. Licensor's right to automatically terminate upon the occurrence of certain events. For example:
 1. Unauthorized use of the licensed mark.
 2. Failure to pay royalties.
 3. Failure to maintain business.
 2. Right to cure under certain situations?
 1. Failure to perform certain obligations under license.
 1. *e.g.*, submission of advertising to licensor for review.
 2. *e.g.*, failure to report infringement.
 2. Set out timetable and steps to be followed for cure.
 3. *See* sample Termination clauses in Appendix.
 3. Rights upon termination.
 1. Licensee's right to sell off inventory.
 1. certain period of time.
 2. destruction of remaining inventory, packaging, labels?
 2. Licensor's right to obtain new licensee.

3. The parties' rights with respect to the product designs, copyrights, patents.
 4. *See* sample Rights on Termination clauses in Appendix.
14. Bankruptcy -- Are contingencies in place?
 1. Licensor's rights?
 2. Licensee's rights?
 3. Creditor's rights?
 4. Trustee's rights?
 5. *See* sample Bankruptcy clause in Appendix
15. Insurance and Indemnification -- Are both parties protected?
 1. Licensee
 1. Insurance
 1. product liability?
 2. personal injury?
 3. advertising liability?
 2. Indemnification
 1. claims based on defects in licensed products
 2. claims based on other activities of licensee under agreement such as advertising, infringement, or failure to comply with federal and local laws.
 2. Licensor
 1. Indemnification from third party accusations of infringement by licensed mark.
 3. *See* sample Insurance and Indemnification clauses in Appendix.
16. Miscellaneous provisions
 1. Compliance with laws.

2. Amendments to agreement.
 1. In writing.
 2. Signed by both parties.
 3. *see* sample Amendment clauses in Appendix.
3. Entire agreement.
4. Waiver -- *see* sample Waiver clauses in Appendix.
5. Severability -- *see* sample Severability clauses in Appendix.
6. Governing law/dispute resolution.
 1. Jurisdiction.
 2. Venue.
 3. Arbitration/mediation.
 4. *see* sample Governing Law clauses in Appendix.
7. Confidentiality.
8. Notices under agreement.
9. Assignment of obligations.
 1. Licensee.
 2. Licensor.
 3. *See* sample Assignment clauses in Appendix.
10. Agency -- *see* sample Agency clause in Appendix.
11. Non-solicitation.

APPENDIX

Sample Grant Clauses

1. Licensors hereby grants to Licensee, and Licensee accepts a royalty free, non-assignable and nontransferable and non-exclusive right and license to use _____ in the Territory solely in connection with _____. The license granted herein does not include any right for Licensee to grant sublicenses.

2. Subject to the terms and conditions of this License, LICENSOR hereby grants to LICENSEE, and LICENSEE hereby accepts, a non-exclusive license to use the _____ trademark in connection with _____, under trademark application Serial No. 76/_____, and any United States registration resulting therefrom.

3. LICENSOR hereby grants LICENSEE the non-exclusive, non-assignable, non-sublicensable, non-indemnified right to use the LICENSED MARKS solely in connection with the manufacture, sale and distribution of the LICENSED PRODUCTS throughout the LICENSED TERRITORY through established retail channels. No License is granted hereunder to LICENSEE (or any affiliated business), for mail order sales, premium or promotional sales, or any direct sales other than through normal retail channels. LICENSEE may not, either directly or indirectly, distribute or sell the LICENSED PRODUCTS to any flea market vendors or to any person who intends to or is likely to resell them to flea market vendors. Nor right, express or implied, is granted to LICENSEE to allow anyone other than LICENSEE to manufacture or otherwise produce LICENSED PRODUCTS, or subcontract the manufacture or printing of the LICENSED PRODUCTS to third parties without the prior express written approval of LICENSOR.

4. Subject to the terms of this AGREEMENT, LICENSOR hereby grants LICENSEE a non-exclusive license to

use the LICENSED TRADEMARKS on the LICENSED PRODUCTS in the TERRITORY. No license, express or implied, is granted to LICENSEE to export LICENSED PRODUCTS or to otherwise use the LICENSED TRADEMARKS outside the TERRITORY, and any such right is expressly withheld from this AGREEMENT. No right, express or implied, is granted to LICENSEE to sub-license or otherwise transfer the right to use the LICENSED TRADEMARKS to third parties, and any such right is expressly withheld from this AGREEMENT. No license, express or implied, is granted to LICENSEE to allow anyone other than LICENSEE to manufacture or otherwise produce LICENSED PRODUCTS. All LICENSED PRODUCTS must be manufactured or otherwise produced directly by LICENSEE. LICENSOR retains all rights to LICENSED TRADEMARKS except as otherwise granted herein.

5. Licensor hereby grants to Licensee an exclusive (except as to Licensor) license, with the right to sublicense, subject to the reservations contained in Section ____, and all of the terms contained in this Agreement, to use the LICENSED MARKS listed in Schedule __ hereto, during the License Period, in the Territory as defined in Section ____, in connection with the manufacture, sale, distribution, advertising, and promotion of LICENSED PRODUCTS in the manner provided by this Agreement. The License excludes the right to sell, distribute, advertise and promote LICENSED PRODUCTS outside the Territory via E-commerce. Licensee shall have the right to import into the Territory LICENSED PRODUCTS manufactured outside the Territory, provided, however, that Licensee takes reasonable precautions to prevent all labels, tags, packaging material, business supplies and advertising and promotional materials and all other forms of identification bearing one or more of the LICENSED MARKS from being used otherwise than in connection with the distribution and sale of LICENSED PRODUCTS within the Territory. Licensee shall neither export LICENSED PRODUCTS from the Territory, nor sell LICENSED PRODUCTS to any entity

which it knows or has any reason to believe intends to export LICENSED PRODUCTS from the Territory.

Sample Design Clauses

1. Licensee reserves the right, in its sole and absolute discretion, to design the Licensed Products, as well as all labels, hang-tags, and packaging associated therewith. In furtherance of this right, Licensee reserves the right to, from time to time, modify and/or add styles to the Licensed Products upon reasonable advance notice.

2. Licensee acknowledges that Licensor shall have the right of approval of the appearance, quality, design of all materials which Licensee applies the Licensed Trademarks. The Licensee further agrees and undertakes that as soon as reasonably possible, following the signing of this Agreement the Licensee shall forward to Licensor for approval rough visual designs of all packaging, advertising, publicity material or the like of whatsoever kind on which Licensee intends to use the Licensed Trademarks.

Sample Manufacturing Clause

1. All manufacturers, wherever located, that Licensee desires to use in connection with the manufacture of products under this Agreement, are subject to the prior written approval of Licensor. In order to maintain Licensor's high standard of quality control and to insure that appropriate measures are taken against counterfeiting, Licensee shall provide Licensor with the following information: (i) name and address of each proposed manufacturer; (ii) type of Products to be manufactured; (iii) quantity of Products to be manufactured; and (iv) any other relevant information so requested by Licensor. Licensee shall obtain the signature of an authorized representative from each approved manufacturer used by Licensee on an agreement, as agreed to by Licensor and Licensee. Licensee shall not knowingly engage any

manufacturer that has breached a similar agreement with Licensor or, to Licensee's knowledge, any third party. Licensee acknowledges that it shall remain primarily liable and completely obligated under all of the provisions of this Agreement with respect to such manufacturing arrangements. Licensee will require all of its manufacturers (by means of agreements therewith) to comply with all of the provisions of this Agreement relating to quality standards, confidentiality and trademark protection, and with all customs, quota or other laws, rules and regulations, and with all workers' rights (including child labor), environmental safety, and similar or related laws, rules and regulations. No manufacturer will have any right to sell Licensed Products to any person, firm, corporation or entity other than Licensee or to ship Licensed Products to any location other than to Licensee's facilities or Licensee's customers within the Territory. Licensee will use commercially reasonable efforts to ensure that such manufacturers observe such laws and standards and that no manufacturer sells Licensed Products except as permitted. Licensee will monitor all manufacturers hereunder to ensure compliance herewith. Licensee will be fully responsible and liable to Licensor for the actions of its manufacturers, and any violation by any manufacturer of the terms of this Agreement will be deemed a default by Licensee hereunder, and further, in the event of any breach or default by a manufacturer, Licensee will promptly take all steps to cease operations with any such manufacturer, and all reasonable commercial steps to ameliorate and mitigate the effect of any breach (including repurchase of unlawfully shipped goods, for example).

Sample Royalty Clauses

1. Licensee shall pay Licensor an initial licensing fee of _____ U.S. Dollars (US \$ _____) upon execution of this Agreement, which fee shall be non-refundable and shall be credited against the Guaranteed Minimum Royalties payable for License Year 1 under this Agreement. In addition, in each License Year during the Term, Licensee shall pay to Licen-

sor as a continuing royalty an amount equal to _____percent (___%) of the Net Price of Licensed Products sold or otherwise disposed of (excluding sales or other dispositions to Licensor under this Agreement) during such Contract Year. Such royalties shall accrue when the Licensed Products are sold, shipped, distributed, billed or paid for, whichever occurs earliest. Licensee shall provide Licensor on a quarterly basis for each License Year, a detailed written accounting of Licensed Products sold or otherwise disposed of during such quarter in each country included in the Territory, together with the amount of royalties due for such quarter to Licensor hereunder. For the second and each subsequent quarter (or partial quarter) included in the Term, such Accounting shall contain not only the required information for the most recently concluded quarter (or partial quarter), but also a "recap" covering the entire year to date. The Accounting shall be due not later than thirty (30) days after the end of each such quarter and shall be accompanied by payment to Licensor of the amount due for such quarter. **Licensee shall pay Licensor Guaranteed Minimum Royalties on Licensed Products as set forth above, but in no event shall the amount of such royalties actually paid to Licensor during any License Year be less than the Guaranteed Minimum Royalty amount agreed to by the parties under this Agreement for such license Year. The Guaranteed Minimum Royalties for each License Year included in the Term is set forth in Schedule __ hereto.** Such Guaranteed Minimum Royalties payments shall be credited against actual royalty payments due for such License Year as set forth above. Actual royalties paid in excess of Guaranteed Minimum Royalties which pertain to any given License Year shall not accrue toward Guaranteed Minimum Royalties which pertain to any subsequent License Year. Annual Guaranteed Minimum Royalties under this section shall be payable in full for each License Year included in the Term and shall not be prorated or refunded with respect to any partial License Year remaining at the time of expiration or termination of this Agreement.

2. LICENSEE agrees to pay to LICENSOR a minimum annual royalty as designated on Attachment ____ to be paid on the signing hereof. For subsequent license years the minimum

as designated on Attachment _____ shall be paid on the 1st day of the license year. In no event shall any part of any minimum royalty payment be refundable to LICENSEE.

3. All Licensed Products sold by Licensee require the payment of royalties by Licensee to Licensor Bear as set forth in Section __. For each year during the Term of this Agreement, Licensee shall pay to Licensor the Guaranteed Minimum Royalty set forth in Schedule __ hereto, as follows: Licensee will pay one-half (1/2) of the Guaranteed Minimum Royalty for the first license year upon execution of this Agreement; the remaining one-half (1/2) of the Guaranteed Minimum Royalty for the first license year shall be due and paid by _____. Thereafter, Guaranteed Minimum Royalty payments for subsequent years, shall be paid as follows: one-half (1/2) of the annual Guaranteed Minimum Royalty by _____; and the remaining (1/2) of the annual Guaranteed Minimum Royalty by of the last day of the sixth month of each license year. In addition to the Guaranteed Minimum Royalty payment set forth in Schedule __, for any license year Licensee's wholesale gross sales are greater than _____, Licensee shall pay Licensor percentage royalties in the amount of __% of the Gross Sales greater than \$25,000,000.00 for that license year.

Sample Quality Control Clauses

1. LICENSOR has reviewed the GOODS heretofore sold by LICENSEE and agrees that they meet LICENSOR'S quality control standards. Such approval shall continue so long as the GOODS sold by LICENSEE continue to be of substantially the same quality as those GOODS heretofore sold by LICENSEE, or are of at least substantially the same quality as the GOODS now or heretofore sold by LICENSOR. LICENSOR may, not more frequently than once each year during the TERM, request specimens or facsimiles of the GOODS sold by LICENSEE under the LICENSED TRADEMARK for the purpose of reviewing the quality thereof. In the event that there is a substantial change in the quality of the GOODS sold by LICENSEE under

the licensed trademark, LICENSOR and LICENSEE will confer in an effort to resolve such dispute, and until such time as the dispute is resolved, LICENSEE agrees to stop manufacturing, distributing and/or selling GOODS under the LICENSED TRADEMARK.

2. Licensee agrees that the quality of the Licensed Products will remain consistent with the high quality products currently offered by Licensee and will not adversely reflect upon or damage the goodwill or reputation of the Licensed Mark or Licensor. All Licensed Products shall be rendered and sold in complete compliance with all applicable standards of Federal, State and local laws and regulations. Licensor shall have a right of sufficient access at reasonable times to Licensee's facilities to permit Licensor or its representative to ensure that the quality of the Licensed Products are in accordance with these standards. Licensee further agrees that upon request, it will make available to Licensor or its designee, for legal review, comment and approval, representative samples of Licensed Products as well as advertising and promotional material, packaging material, and other materials for public dissemination, which display the Licensed Mark. Licensee agrees that, if required by Licensor, it will make appropriate changes to such materials in order to insure proper protection of the Licensed Mark.

3. LICENSEE acknowledges that the maintenance of the high quality of the LICENSED PRODUCTS, and the control by LICENSOR over the nature, quality and manner of distribution of all the LICENSED PRODUCTS, are material conditions of this AGREEMENT. Prior to the distribution or sale of any LICENSED PRODUCT, LICENSEE shall, at its own cost and expense, submit to LICENSOR for approval all final designs, specifications and fabrications and color details for the LICENSED PRODUCTS, and all tags, labels and packaging to be used in association therewith (the "PACKAGING"). Prior to any sale or distribution to the public, LICENSEE shall, at its own cost and expense, submit to LICENSOR for approval a production

sample of each LICENSED PRODUCT and all final PACKAGING. At least once per year during the TERM of this AGREEMENT, LICENSEE shall, at its own cost and expense, submit to LICENSOR for approval, a sample of each LICENSED PRODUCT and all PACKAGING. LICENSEE shall, at its own cost and expense, submit to LICENSOR for approval copies of all advertisements or promotional materials containing the LICENSED MARKS prior to any use thereof. All matters requiring the approval of LICENSOR or the exercise of its discretion shall be the sole subjective discretion of LICENSOR. A submission for approval shall be deemed disapproved unless LICENSOR specifically provides written approval.

4. Licensee shall maintain the distinctiveness of the Licensed Mark, the image of the brand, and the image and high quality of the goods and merchandise bearing the Licensed Mark presently manufactured and sold by Licensor and its other licensees. Licensee agrees that all products bearing the Licensed Mark manufactured or sold by it will be of high quality as to workmanship, fit, design and materials, and shall be at least equal in quality, workmanship, fit, design and material to the samples submitted by the Licensee and approved by Licensor as set forth herein. Before Licensee shall sell or distribute any product bearing the Licensed Mark, Licensee shall submit samples of each proposed product to Licensor for its prior written approval. Such samples shall be submitted sufficiently far in advance to permit Licensee time to make such changes as Licensor deems necessary. Licensor shall make available to Licensee the creative concepts and fashion direction as to the Licensed Products including recommendations as to color, material, design and styling of such products and such additional design assistance as it determines in its sole discretion. Licensee will utilize substantially all of the designs, fabrics, trim submitted or approved by Licensor and will timely produce pre-production prototypes for Licensor's review and approval. Once samples have been approved, Licensee will manufacture only in accordance with such approved samples and will not make any changes without Licensor's prior written approval. No products bearing the Licensed Mark (including

samples) shall be distributed and/or sold by Licensee unless such products are in substantial conformity with, and at least equal in quality to, the samples previously approved by Licensor in accordance with the provisions of this paragraph. Upon Licensor's request, Licensee shall supply Licensor with a reasonable quantity of production samples in order for Licensor to assess the conformity of production with the approval samples. All samples submitted to licensor pursuant to this paragraph shall be provided at Licensee's sole cost and expense.

Sample Ownership Clauses

1. Licensee acknowledges that Licensor is the sole and exclusive owner of all right, title and interest in and to the Licensed Mark in the Territory, as well as to all combinations, forms and derivatives thereof which may hereafter be approved by Licensor for use by Licensee hereunder in the Territory. Licensee acknowledges the substantial value and eminent goodwill associated with the Licensed Mark, and the exclusive ownership thereof by Licensor, and agrees not to, at any time (either during the term of this License or thereafter), directly or indirectly, do or suffer to be done any act or thing that might in any way adversely affect any rights of Licensor in and to any of such marks, any registrations thereof or any applications for registration thereof, or which might reduce the value thereof or detract from their reputation, image or prestige or that of Licensor or the Licensed Mark. Sales by Licensee (and if applicable, any distributors and sub-licensees) will be deemed to have been made by Licensor for purposes of trademark registration and all uses of the Licensed Mark by Licensee (and if applicable, any distributors and sub-licensees) and any and all goodwill generated by use of the Licensed Mark will inure to the benefit of Licensor.

2. **Licensee acknowledges that Licensor owns all right, title and interest in and to the Licensed Trademarks (including, without limitation, all registrations and applications therefor). Licensee further acknowledges, represents and warrants that it has not acquired, and shall not acquire**

(whether by operation of law, by this Agreement or otherwise), any right, title, interest or ownership (collectively, "**Ownership Rights**") in or to the Licensed Trademarks or any part thereof. Should any such Ownership Rights become vested in Licensee, Licensee agrees to assign, and hereby assigns, all such Ownership Rights to Licensor free of additional consideration. Licensee shall provide and execute all documents reasonably requested by Licensor to effectuate and record each such assignment to Licensor. Licensee recognizes the value of the goodwill associated with the Licensed Trademarks and acknowledges that all rights therein belong exclusively to Licensor or its Affiliates and further acknowledges that the Licensed Trademarks have acquired secondary meaning in the mind of the public. All use of the Licensed Trademarks and all goodwill and benefit arising from such use shall inure to the sole and exclusive benefit of Licensor. Licensee shall not, during the Term or at any time thereafter, do anything which, in Licensor's sole judgment, could in any way damage, injure or impair the validity and subsistence of the Licensed Trademarks. Licensee shall not attack, dispute or challenge Licensor's Ownership Rights in or to the Licensed Trademarks or the validity of this Agreement, nor shall Licensee assist others in so doing.

3. Licensee agrees to cooperate fully and in good faith with Licensor for the purpose of securing and preserving Licensor's rights in and to the Licensed Marks. Nothing contained in this Agreement shall be construed as an assignment or grant to Licensee of any right, title or interest in or to the Licensed Marks, or any registration or application therefore, it being understood that all rights relating thereto are reserved by Licensor except for Licensee's right to use the Licensed Marks as expressly provided in this Agreement. Licensee shall comply with reasonable requests to execute instruments presented to it by Licensor to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without other consideration, other than the mutual covenants set forth in this Agree-

ment. Licensee hereby agrees that it shall not at any time acquire any rights in the Licensed Marks by virtue of any use it may make of the Licensed Marks.

Sample Infringement Clauses

1. Licensee shall promptly notify Licensor in writing of any infringement or imitation of the Licensed Mark or the use by any person of any trademarks, logos or trade names that may be confusingly similar to the Licensed Mark which come to the attention of Licensee. Licensor will thereupon take such action as it deems advisable for the protection of the Licensed Mark and its rights therein, and Licensee shall assist Licensor in the prosecution of any such suit, as Licensor may reasonably request. Except to the extent required by law, but only to such extent, Licensor shall not be required to take any action if it deems it inadvisable to do so, and Licensee will have no right to take any action with respect to the Licensed Mark without the prior written consent of Licensor. Sub-licensees will have no right to take any action with respect to the Licensed Mark. In the event a third party infringes the use of the Licensed Mark in the Territory on items the same as or similar to the products manufactured under the License, Licensor shall take all advisable and necessary measures to protect the Licensed Mark and Licensee agrees that, at Licensor's request, it will pay the costs incurred therefore, including judicial expenses and legal fees.

2. Licensee shall inform Licensor forthwith if Licensee learns of any goods or activities which infringe (or may infringe) the Licensed Products, or learns of any other infringement of the Licensed Trademarks or of any other Intellectual Property rights now or hereafter owned by or Licensor. Licensee shall provide, at Licensee's expense, complete information, cooperation, and assistance to Licensor concerning each such infringement (including, without limitation, cooperation and assistance in any further investigation or legal action); **provided, however,** that Licensor shall reim-

burse Licensee for Licensee's reasonable out-of-pocket expenses incurred in connection with providing any such cooperation to Licensor so long as Licensor shall have requested that Licensee provide such cooperation. Upon learning of such infringement, Licensor shall have the right, but not the obligation, at its sole discretion and expense, to take such action as Licensor considers necessary or appropriate to enforce Licensor's rights, including, without limitation, legal action to suppress or eliminate such infringement or to settle any such dispute or action. Licensor shall also be entitled to seek and recover all costs, expenses, and damages resulting from such infringement, including, without limitation, sums which might otherwise be due to Licensee by operation of law or otherwise, and Licensee shall have no right to share in any amounts recovered by Licensor. Licensee shall have no authority to enforce the rights of Licensor, nor shall Licensee have any right to demand or control action by Licensor to enforce such rights. In the event Licensor sues or counterclaims for infringement of any of the Licensed Trademarks for use on products that, if made or sold by Licensee would be Licensed Products, Licensee shall have the right, but not the obligation to join with Licensor as a party to such litigation. Should Licensee exercise this option to participate, it shall be responsible for its own attorney's fees unless Licensor's attorneys agree to represent both parties. In any event, Licensor shall have the right to control any such litigation.

3. Licensee agrees to assist Licensor to the extent reasonably necessary to protect the Licensed Trademarks licensed hereunder. Licensor agrees to reimburse Licensee for its reasonable costs in providing such assistance. For these purposes Licensor may, if it so desires, but at Licensor's cost, commence and prosecute any infringement suits or other litigation in its own name or in the name of the Licensee or join the Licensee as a party thereto. The Licensee shall promptly notify Licensor of any infringements of the Licensed Trademarks which may come to the Licensee's attention, and Licensor shall have the right to determine whether or not any litigation shall be instituted in connection therewith. The Licensee shall not institute any suit or

take action relative to any such infringements or imitations without first obtaining the written consent of Licensor to do so. In the event Licensor elects not to pursue litigation or other resolution of an accused infringement brought to its attention by Licensee, Licensee may pursue an action against such accused infringer 30 days after notice to Licensor, at Licensee's own expense. In that event Licensee shall be entitled to retain any damages awarded in such an action. In addition, should Licensee pursue an accused infringement pursuant to this paragraph, Licensor agrees to assist Licensee to the extent reasonably necessary and Licensee agrees to reimburse Licensor for its reasonable costs in providing such assistance.

Sample Termination Clauses

1. Either party may terminate this Agreement provided the other party to the Agreement is given at least six (6) months notice of such intention to terminate, which notice shall be in writing. However, Licensor agrees not to seek to terminate the Agreement unless one or more of the following occurs: (a) Licensee files a petition for bankruptcy; (b) Licensee is adjudicated as bankrupt or insolvent under applicable law; (c) a petition in bankruptcy is filed against Licensee and such proceeding is not terminated within seventy-five (75) days after being instituted; (d) Licensee makes a general assignment for the benefit of its creditors; (e) Licensee applies for or consents to the appointment of a receiver, trustee, custodian or similar official for itself or substantially all of its assets or properties; (f) Licensee begins negotiations with or enters into a business arrangement with an entity or organization whose principal business is in direct competition with Licensor, which negotiations or arrangement Licensor, in its sole discretion, believes to be detrimental to Licensor's business; (g) Licensee is acquired in whole or in part by a competitor of Licensor; or (h) Licensee or a representative thereof commits any act or becomes involved in any situation which, in the opinion of Licensor, brings Licensee, and thus by virtue of this License,

Licensor, into public disrepute, scandal, or ridicule, or reflects unfavorably upon Licensor or any of its products or services.

2. Licensor shall have the immediate right to terminate this Agreement and any other rights granted to Licensee hereunder, by written notice, upon the occurrence of any of the following: (i) underpayment of royalties of ___% or more by Licensee with respect to any annual period; (ii) Licensee institutes for its protection, or is made a defendant, in any proceeding under bankruptcy, insolvency, reorganization or receivership law, or Licensee is placed in receivership or makes an assignment for benefit of creditors or is, or states that it is, unable to meet its debts in the regular course of business; (iii) failure by Licensee to perform or observe any term or covenant or agreement contained in this Agreement relating to quality control, or use of the Licensed Mark; (iv) Licensee uses the Licensed Mark in an unauthorized or improper manner; (v) Licensee ceases, or takes steps to cease, its business; (vi) Licensee sells, transfers, leases, pledges, encumbers, subleases or assigns, by operation of law or otherwise all or substantially all of its assets or 50% or more, in the aggregate, of the ownership interests in Licensee directly or indirectly to a direct competitor of Licensor; or (vii) the entry of a final judgment against Licensee, or the occurrence of any other event, which individually or in the aggregate, would have a materially adverse effect on the business condition (financial or otherwise), operations, performance, properties or prospects of Licensee or its ability to perform its obligations under this Agreement.

3. In the event of the failure by Licensee to perform or observe any term or covenant or agreement contained in this Agreement, other than those for which Licensor has an immediate right to terminate this Agreement pursuant to Section ___, Licensor may terminate the License and the other rights granted to Licensee under this Agreement by giving notice of termination to Licensee, which termination shall become effective automatically unless Licensee completely cures the breach within ___ days of the giving of the said notice. If the Licensor's notice of termination relates to royalties or to product quality, pending

cure, Licensee agrees that it will ship no Licensed Products; if Licensee does ship, it shall automatically forfeit its right to cure and the License shall be terminated.

Sample Rights on Termination Clauses

1. Upon non-renewal or termination of this Agreement, Licensee shall cease and desist, within a reasonable time to be agreed upon by Licensee and Licensor, from all further use of the Licensed Mark; any other trademark owned by Licensor and which may during the course of this Agreement be authorized by Licensor to be used by Licensee in connection with the Licensed Services; or any trademark or service mark that is confusingly similar to the Licensed Mark or any other mark owned by Licensor. Licensee further agrees that upon non-renewal or termination of this Agreement, Licensee will not thereafter use any mark that incorporates the Licensed Mark, or any mark that is confusingly similar to the Licensed Mark, nor will Licensee challenge the ownership or validity of, or seek to cancel, the Licensed Mark or any other trademark of Licensor.

2. Upon the expiration of the License Term, or upon termination of the License for any reason whatsoever, Licensee shall immediately deliver to Licensor a complete and accurate inventory of Licensed Products as of the close of business on the date of such expiration or termination. Licensee may dispose of the Licensed Products during any Disposal Period agreed upon by the parties under this agreement, provided however, that such disposition shall continue to be subject to Licensee's obligations hereunder, including, without limitation, with respect to the payment of royalties and the approval of advertising. At the end of the Disposal Period, or if none, upon termination, any Licensed Products remaining in Licensee's possession or control shall, at the request of Licensor, and at Licensee's expense, be destroyed. Licensor shall have the right at any time to conduct a physical

inventory of the Licensed Products then in Licensee's possession or control.

3. Licensee hereby agrees that upon the termination or expiration of this Agreement, Licensee will be deemed to have assigned, transferred and conveyed to Licensor any trade rights, equities, goodwill, titles or other rights in and to the Licensed Trademarks, the domain name and any assumed business name incorporating the Licensed Trademarks which may have been obtained by Licensee or which may have vested in Licensee in pursuance of any endeavors covered hereby, and that Licensee shall execute any instrument requested by Licensor to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual covenants and considerations of this Agreement.

Sample Bankruptcy Clause

1. Notwithstanding the other provisions of this Agreement, in the event that, pursuant to the applicable bankruptcy law, a third party is permitted to assume this Agreement, such third party must notify Licensor in writing of its interest in assuming this Agreement and of its proposed terms for doing so. Upon receipt of such notice, Licensor shall have fifteen (15) days to approve the assumption and the terms therefore. If Licensor fails to approve the assumption within said 15 days, the third party may complete the assignment referred to in its notice upon the terms specified therein. Nothing contained herein shall be deemed to preclude or impair any rights which Licensor may have as a creditor in any bankruptcy proceeding.

Sample Indemnification and Insurance Clauses

1. LICENSEE hereby indemnifies LICENSOR, its officers, employees and agents, for any claims (including but not limited to, product liability, wrongful death, and negligence claims), suits, losses, expenses, damages, or other liability includ-

ing attorneys' fees and related costs arising from, caused by, relating to, or incident to the manufacture, packaging, advertising, sale and use of the LICENSED PRODUCTS including (i) any unauthorized use of or infringement of any trademark or other proprietary right by LICENSEE, and (ii) libel or slander against, or invasion of the right of privacy, publicity or property of, or violation or misappropriation of any other rights of any third party. This indemnification shall survive the expiration or termination of this Agreement. LICENSEE agrees to carry insurance with a company acceptable to the LICENSOR for the benefit of LICENSOR including products and completed operations liability, foreign liability, personal and bodily injury, property damage and advertising coverage to protect against any such claims, damages, attorneys' fees and costs. Said insurance shall provide such coverage in the amounts of not less than _____ dollars (\$_____) Combined Single Limit for bodily injury, personal injuries and property damage arising out of each occurrence or such larger amount if required by LICENSOR. LICENSOR must be named as an additional insured. LICENSEE shall furnish said LICENSOR with a certificate of such insurance, and shall notify said LICENSOR at least thirty (30) days prior to modification, expiration or cancellation of any applicable policies.

2. LICENSEE shall defend, indemnify, and hold harmless LICENSOR, its officers, employees, and agents from and against any losses and expenses (including attorneys' fees), claims, suits, or other liability, including product liability, resulting from injury to or death of any person or damage to property arising out of or in any way connected with the exercise of the license granted by this LICENSE AGREEMENT, provided such injuries to persons or damage to property are due to the acts of commission or omission of LICENSEE, its officers, employees or agents, or the products manufactured or sold by them. LICENSEE shall, throughout the TERM of the AGREEMENT, obtain and maintain at its own cost and expense from insurance company acceptable to LICENSOR, insurance coverage for both bodily injury and property damage liability, including products and complete operations liability, foreign liability (where applica-

ble), personal injury and advertising coverage. This policy shall name LICENSOR as an additional insured insofar as this AGREEMENT is concerned. To the extent permitted by federal and local law, such policy shall provide protection against any and all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the LICENSED PRODUCTS or any material used in connection therewith or any use of advertising thereof. The amount of coverage and other insurance requirements shall be _____. The policy shall provide for thirty (30) days notice to LICENSOR from the insurer by registered or certified mail, return receipt requested, in the event of any modification, cancellation or termination thereof. LICENSEE agrees to furnish LICENSOR an original certificate of insurance with the original authorizing signature of the LICENSEE's insurance agent evidencing same within thirty (30) days after execution of this AGREEMENT, and, in no event, shall LICENSEE manufacture, distribute or sell the LICENSED PRODUCTS prior to receipt by LICENSOR of such evidence of insurance.

Sample Amendment Clauses

1. No variation or amendment of this License Agreement shall be effective unless it is in writing and signed by an authorized representative of the parties.

2. This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof, and supersedes all other agreements and understanding whether written or oral. This Agreement may be amended or modified only in

writing by the duly authorized representatives of the respective parties.

Sample Waiver Clauses

1. No waiver of any term, provision or condition of this License Agreement shall be effective unless it is in writing and signed by an authorized representative of the waiving party. No failure to exercise nor any delay in exercising any right or remedy hereunder shall operate as a waiver therefore of any other right or remedy hereunder, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy.

2. Waiver or non-enforcement by either PARTY of a term or condition of this AGREEMENT shall not be constituted (a) a waiver or non-enforcement of said term or condition, (b) a waiver or non-enforcement of any other term or condition, or (c) a waiver of any subsequent breach of the same or similar term or condition.

Sample Severability Clauses

1. Should any provision of this AGREEMENT be held unenforceable, then the validity of the remaining provisions shall not be affected by such a holding, and the parties shall negotiate in good faith and agree to a reasonable provision which is intended to replace the provision held to be unenforceable.

2. This Agreement is intended to be valid and effective throughout the Territory and, to the extent permissible under applicable law, shall be construed in a manner to avoid violation of or invalidity under any applicable law. Should any provision hereof nevertheless be or become invalid, illegal or unenforceable under any applicable law, the other provisions hereof shall not be affected, and to the extent permissible under

applicable law, the parties shall agree upon a new provision which will accomplish as nearly as possible the primary purpose or purposes of the provision held invalid, illegal or unenforceable.

Sample Governing Law Clauses

1. This AGREEMENT and all disputes hereunder shall be governed by the laws of the State of _____, except to the extent that _____'s conflict of laws provisions may result in another state's laws being applicable. LICENSEE hereby consents to the jurisdiction of any court of competent jurisdiction, federal or state, situated in the State of _____ for any and all actions arising out of this AGREEMENT, waives any defense which it might otherwise have based on jurisdiction and/or venue, and agrees to accept service of process by mail.

2. This Agreement shall be governed by and construed in accordance with the internal substantive laws of _____ applicable to agreements made and to be performed entirely therein. Licensee hereby consents to the exclusive jurisdiction of the courts of _____ and of the United States District Court for the District of _____ for resolution of all claims, differences and disputes which the parties may have regarding this Agreement.

Sample Assignment Clauses

1. This AGREEMENT shall inure to the benefit of LICENSOR, its successors and assigns, but will be personal to LICENSEE and shall be assignable by LICENSEE only with the prior written consent of LICENSOR, which may be withheld for

any reason. LICENSOR shall have the absolute, unfettered right to transfer this AGREEMENT and its rights and obligations thereunder to any third party upon notice to LICENSEE.

2. This Agreement shall not be assigned or transferred by either party without the prior written consent of the other party, except to a successor in ownership of all or substantially all the assets of the assigning or transferring party, which successor shall expressly assure in writing the performance of all the terms and conditions of this Agreement to be performed by the assigning or transferring party as if it were named herein in the place of the assigning party.

Sample Agency Clauses

1. Neither party shall represent or hold itself out as an agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party shall have the right or power to bind or obligate the other, in any way, manner or thing whatsoever, nor represent that it has any right to do so.

2. Neither either party hereto shall be construed to be the agent of the other in any respect. The parties have entered into this Agreement as independent contractors only, and nothing herein shall be construed to place the parties in the relationship of partners, joint venturers, agency or other legal representation. Neither party shall have the authority to obligate or bind the other in any manner as to any third party.