



FICPI
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Section 1.5 Trademark Licenses

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Trade Mark (or) Trademark

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USA

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A Brief History of Licensing

With thanks to Gregory J. Battersby and Nils
Victor Montan



- MIDDLE AGES:

- ◆ Popes granted licenses to local tax collectors who paid royalties to the Vatican.

- In 1770's: British nobility permitted use of their names on cosmetic products in exchange for a royalty.
- In the early 1900's: BUSTER BROWN, comic strip character, was licensed for line of products including shoes.

- In 1913: TEDDY ROOSEVELT permitted his name to be used on a “Teddy Bear” for a royalty that was used to establish national parks.
- In 1928: A landmark year for the introduction of Mickey Mouse by Walt Disney.

- In 1929: Girl Scouts of America began to license official GIRL SCOUTS OF AMERICA products, ultimately producing over 1800 products.

- In 1932: Disney begins extensive licensing program with Mickey Mouse and hires Kate Kamen, proclaimed as the father of modern licensing.
- In 1932: Shirley Temple licenses Shirley Temple Dolls.

- In 1947: Howdy Doody becomes a hot item on a new medium, television.
- In 1950's: David Crocket is introduced by Disney resulting in further Disney licensing.

- Warner Brothers actively pursues licensing with its Looney Tunes Characters:
 - ◆ Bugs Bunny
 - ◆ Daffy Duck
 - ◆ Porky Pig

- In 1955: Elvis Presley storms into the music world and remains a hot property despite his death many years ago.

- In the 1960's: The Beatles created Beatle Mania and a huge licensing craze.

Others following suit:

Kermit the Frog

Other Sesame Street Characters

Star Wars; Cabbage Patch Kids

ET; Collegiate Licensing is formed

Martha Stewart; Coca Cola

Power Rangers; Harry Potter

- Current annual licensing income for Disney consumer products is 15 billion U.S. dollars.
- More than twice the income of # 2, Warner Brothers.

What are the Essential Elements to Include in a Trademark License?

- Identification of a Mark
- Identification of the Goods or Services licensed
- Identification of Licensor and Licensee
- Quality Control
- Territorial Extent of the License

Term of the License (time)

Escape Provisions:

- Termination for cause
- Termination at will

Post-Termination Provisions:

- Excess Inventory
- De-Identification



Should there be an Inspection on Quality?

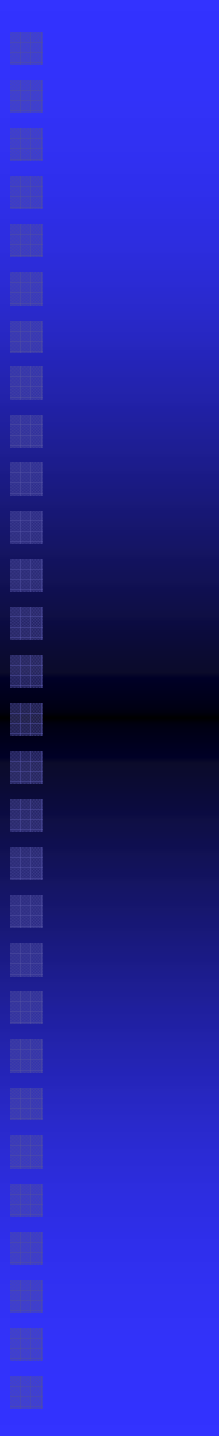


“Quality Control” does not necessarily mean high quality




Consistency is the key

Consistency in the U.S. is viewed
as type of consumer legislation.



McDonald's® hamburgers are not necessarily the best hamburgers in the world but they are consistent with an expectation by the consumer that no matter where the hamburger is purchased it will be of substantially similar quality to that purchased anywhere else from a McDonald's restaurant.

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- Because of the consumer involvement there is, in the U.S., a requirement that all trademark licenses have quality standards.

The Courts in the U.S. have been consistent in not enforcing Trademarks where there have been “Naked Licenses.”

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- How much quality supervision is required?

- The control exercised by the licensor must be sufficient under the circumstances to satisfy the public's expectation of quality assurance arising from the presence of the trademark on the licensed goods or services.

- The Courts have approved quality control standards in a broad range of areas from licensees own quality control, to licensor inspection, to third party control.
- The key is whether the control is sufficient to meet the consumer expectation.

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- Should the license have a specified term?



- Not necessarily, but it should provide for what occurs at termination:

- 1) Disposition of inventory

- 2) Identification of buildings.




- There should be provisions for:

- 1) Termination resulting from a breach of the agreement

- 2) Termination for convenience.

Issues Related to Multiple Licensees

- Extent of territory
- Advertising
- Quality consistency

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- Can a common-law trademark (unregistered) be licensed?



■ Answer: Yes



- The Dukes Sandwich saga

Conclusion: Keep in mind that when licensing a trademark, you are in effect, licensing the personality of your client. If the mark rises to the stature of a brand there is a greater degree of emotion and trust associated with the brand.

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