



Global License Template

Commercialization of Brands Committee (COBC): Licensing and Franchising Subcommittee

Approved August 26, 2024

**LICENSE AGREEMENT
BETWEEN
[LICENSOR]
AND
[LICENSEE]**

LICENSE SUMMARY

Licensed Trademark(s): _____

Licensed Product(s): _____

Initial Term: _____ **to** _____

Territory: _____

Royalty: ____% of Net Sales

LICENSE AGREEMENT (“AGREEMENT”)

1. **Licensor:** _____

2. **Licensee:** _____

Disclaimer: Please note that all information is provided as a source of general information. In legal matters, no publication, whether in written or electronic form, can take the place of professional advice given with full knowledge of the specific circumstances of each case and proficiency in the laws of the relevant jurisdiction. While efforts have been made to ensure the accuracy of the information, it should not be treated as the basis for formulating business decisions without professional advice.

A portion of the information below comes from the Electronic Data Gathering, Analysis, and Retrieval of the United States Securities and Exchange Commission.

Practice Points	Licensor	Licensee
Parties	<ul style="list-style-type: none"> • Be careful to correctly identify the contracting parties by reference to their full registered corporate/legal name and address, together with any registration numbers, to avoid any confusion over the entities who are contracting. • In certain jurisdictions, where details cannot be checked online or via accessible databases, consider requesting a copy of the trade license of the particular party. • Consider carefully who will be using the rights, particularly within a licensee group. If the Licensee is a subsidiary (e.g. a special purpose vehicle set up to exploit the licensed business) consider whether requiring a third party to guarantee the Licensee’s obligations (particularly financial commitments such as minimum royalty guarantees) – this could be by way of joining them as an additional party to the license agreement or in a separate guarantee. 	<ul style="list-style-type: none"> • Be careful to correctly identify the contracting parties by reference to their full registered corporate/legal name and address together with any registration numbers, to avoid any confusion over the entities who are contracting. • In certain jurisdictions, where details cannot be checked online or via accessible databases, consider requesting a copy of the trade license of the particular party. • Licensees should check that the Licensor is the owner of the licensed trademarks and, if it is not, understand the basis upon which the Licensor purports to grant the license. If the Licensor is, itself, a licensee (and thus is a ‘sub-licensor’), the Licensee/sublicensor should take steps to verify the scope of the rights granted to the sub-licensor and conditions under which the head license can be terminated. The Licensee/sublicensor should consider how to protect itself against the expiry or termination of the head license during the continuance of the sub-license e.g. by requiring the ultimate trade mark owner to separately contract with the sub-licensee and confirm that, should the head license expire or terminate in circumstances where there is no right on the part of the sub-licensor to terminate the sub-license due to a breach caused by the Licensee/sub-licensor, the license will continue as a direct license between head licensor and sub-licensee on the same terms for the unexpired term of the original sub-license.

3. **Licensed Trademark(s):** The “**Licensed Trademark(s)**” include those marks listed in Exhibit 1. “Licensed Trademark(s)” do not include variations or derivatives of the above-listed trademark(s), unless authorized for Licensee in writing by Licensor prior to Licensee’s use of such variations or derivatives.

Practice Points	Licensor	Licensee
Licensed Trademark(s): Getting the definition of Licensed Trademark	<ul style="list-style-type: none"> • Licensor will prefer a closed list of trademarks with no possibility for ambiguity. • Be careful about extending the scope of the Licensed Trademark to encompass 	<ul style="list-style-type: none"> • Licensee will wish to ensure that the licensed trademark expressly covers all signs that it wishes to use. These may extend beyond a list of registered trademarks to capture, for example, signs used in a particular color combination or script and figurative marks (which even if not

right is absolutely key for both parties as they delineate the scope of the license.	<p>future variants or sub-brands. For example, a fashion label may develop future second-line/diffusion brands, which it may not wish to include within the license grant (e.g. Simply Vera by Vera Wang / MICHAEL by Michael Kors), or may wish to reserve the right to develop diffusion lines for use in brand partnerships with third-party retail brands (e.g. Stella McCartney for Adidas).</p> <ul style="list-style-type: none"> Licensors should be careful about granting “worldwide” rights in the Licensed Trademarks, unless it actually has such rights. 	<p>registered, may be protected as copyright works) as well as unregistered marks and marks that are the subject of pending applications.</p> <ul style="list-style-type: none"> Where existing registrations are licensed, consider whether future applications/registrations for the mark, including stylized representations and figurative marks including the same, should be added to the definition. Licensee will wish to consider whether it would expect the license to extend to brand variants or sub-brands which are marketed as independent brands but within the same overall ‘house brand’ offering of the licensor (e.g. diffusion lines within fashion labels).
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4. Licensed Product(s):

The “**Licensed Products/Services/Services**” are _____, [offered for sale within the range of Suggested Retail Price Point(s) (“**SRP**”) set forth in [Exhibit 2](#)], which products/service bear/will be offered in connection with at least one of the Licensed Trademark(s) shown in [Exhibit 1](#) and are offered/sold or distributed [to Approved Customers (defined in Section 8)] in the Territory (defined in Section 6). All Licensed Products/Services/Services shall only comprise the [insert the details for the services]/designs, samples, styles, and materials that are selected, created, or otherwise utilized by or for Licensor, or Licensee pursuant to this Agreement, excluding generic designs (collectively, “**Designs**”/“**Specifications**” [if Services]), and must meet with Licensor’s Approval (as defined in Section 18) before being offered for sale or sold in the marketplace.

Practice Points	Licensor	Licensee
Licensed Products/Services (or Services)	<ul style="list-style-type: none"> The Licensor will want a closed list of Licensed Products/Services or services. Be careful to avoid imprecise terms or category references, where the boundaries are unclear. If exclusivity is at issue, be careful with granting exclusive rights and confirm such rights are capable of being granted, e.g., check existing agreements. Make sure the licensed trade mark rights cover the products or services being licensed under the agreement. Avoid scheduling marks for goods/services which are not being licensed; and be careful not to define Licensed Products/Services by reference to the scope of goods and/or services covered by the scheduled trademark registrations, which may extend beyond the scope of the Licensed Products/Services. Consider conditions before granting right of first refusal rights, e.g., compliance with obligations, and/or meeting new and separate minimum guarantee requirements. 	<ul style="list-style-type: none"> Consider requesting rights of first refusal over categories that the licensor is not willing to give to the Licensee at the outset, or set forth conditions which, if met, automatically confer rights to a broader set of products. Non-exclusive rights may be needed as well for promotional items, gifts-with-purchase or even ancillary items that might be bundled in sets. Similarly, there may be related or ancillary services that licensee may require additional rights to.
Resale Price Restrictions	<ul style="list-style-type: none"> Depending on the territories covered by the license, a term which purports to restrict the price at which Licensed Products/Services may be sold may engage anti-resale price maintenance / competition laws, which must be carefully considered in all cases. Where laws make restrictions on minimum resale prices difficult, it may be possible to give the licensor the security of a minimum level of financial 	<ul style="list-style-type: none"> Even if a resale price restriction is imposed upon a licensee, a licensee is not immune from penalties etc. under competition laws.

	return through the imposition of minimum unit royalties, again subject to consideration of applicable competition laws.	
Use of the Marks	<ul style="list-style-type: none"> Consider whether marks have to be used independently or together (e.g., word mark as part of figurative logo) and in a particular approved form of stylization/representation only, depending on the case, and adjust accordingly. Cross-reference to any style guide, handbook (or similar) that governs the permitted and prohibited forms in which the licensed marks may be used. 	

5. Term:

- (a) The “**Term**” is effective as of _____ and terminates on _____. Licensor shall have the option, but not the obligation, to grant Licensee a renewal term (the “**Renewal Term**”), the length of which shall be determined by Licensor in its sole and absolute discretion, provided that the Parties execute an agreement for such Renewal Term within six (6) months before the expiration of the Term, which agreement may have materially different provisions from this Agreement.
- (b) If no agreement for such Renewal Term is finalized within six (6) months before the expiration of the Term, the Agreement shall be deemed to expire at the end of the Term regardless of whether the Parties continue to negotiate the Renewal Term or work on Designs for the season covered by the Renewal Term. Any work, expenses or costs incurred in connection with such work performed by the Parties shall be at their own risk, respectively, if no agreement for the Renewal Term is signed. The Parties agree that time is of the essence.

Practice Points	Licensor	Licensee
Term and Renewal	<ul style="list-style-type: none"> The Licensor will want to avoid being tied into a license indefinitely and will thus seek to restrict renewal rights. Licensors may consider making the grant of renewal rights conditional on Licensee’s compliance with agreement obligations (including perhaps the Licensee meeting certain minimum sales or royalty requirements). Licensors may consider reserving the right to change material terms for any renewal period. 	<ul style="list-style-type: none"> A licensee will want more ‘concrete’ rights to renew the license for at least one renewal term, to justify its investment in the license and as ‘reward’ for the accrued goodwill built for the licensor and its brand over the initial term. It will want to secure a renewal term with a guaranteed minimum term. If all renewal terms are not capable of being determined at the outset, the licensee runs a risk that its right of renewal is unenforceable where material terms are left for later negotiation or determination by the licensor. For example, it risks a licensor seeking to impose unreasonable or materially more onerous renewal terms which are difficult for a licensee to accept. Consider whether the scope of rights should be extended on a renewal. Licensees may want to seek a right of first refusal for any third party proposals presented to Licensor post-expiration.

6. Territory:

_____ (the “**Territory**”).

Practice Points	Licensor	Licensee
Territory	<ul style="list-style-type: none"> Where the license is exclusive or sole, the licensor must check to ensure that it is free to grant the licensed rights throughout the territory concerned. Consider territory in conjunction with performance obligations and provide, as appropriate, for potential partial-termination/clawback of territories where the licensee fails to adequately exploit the licensed rights across the territory. Consider whether any grant of exclusive/sole rights extends throughout the territory, or whether some territory rights are non-exclusive only. 	<ul style="list-style-type: none"> Definition of territory needs to take account of internet/online sale and distribution which, by its nature, will have customer reach that is potentially global. Licensees may consider seeking an option or right of first refusal to expand the territory, provided that the expansion territory will benefit both parties.

7. Grant:

- (a) Licensor grants to Licensee, during the Term (and Renewal Term, if applicable), a limited, [non-exclusive/sole/exclusive] license (without/with the right to sub-license [except for any third party contract manufacture/provision of Licensed Products/Services which is expressly permitted in writing by Licensor under Section 19]) to use the Licensed Trademark(s) in connection with the [manufacturing, distribution, provision, advertising, and sale] of Licensed Products/Services [to Approved Customers] (see [Exhibit 3](#)) in the Territory. [During the Term (and Renewal Term, if applicable), Licensor will not sell or license a third party to sell/offer Licensed Products/Services using the Licensed Trademark(s) within the range of SRPs to Approved Customers in the Territory.] This license may not be assigned or transferred, except in accordance with Section 24 (Assignment) of this Agreement.

Practice Points	Licensor	Licensee
Sole/ Exclusive/ Non- Exclusive	<ul style="list-style-type: none"> • Drafters are advised to be explicit about what these terms mean under the applicable law of the contract. For example an “sole” license typically refers to a license where the licensee is the only third party authorized to exploit, within the scope of the license grant, the licensed rights in common with the licensor who may exploit the same rights itself (contrasted with an ‘exclusive’ license where the licensor itself is equally restricted from exercising the rights within the scope granted to the Licensee) . It is suggested that it is best to avoid mixed terms such as ‘sole and exclusive’. • Consider whether exclusivity should be restricted to certain acts of exploitation, e.g. in-market sale and distribution, only. For example, granting a licensee exclusivity over acts of manufacture within countries such as China, Vietnam, or India may inadvertently prevent the licensor itself or other licensees appointed for different sales territories from having the same goods produced under the licensed marks in those countries. • Consider reservations which, notwithstanding the grant of exclusivity, allow the licensor to: <ul style="list-style-type: none"> • Purchase Licensed Products/Services from the licensee for resale within the licensor’s own (and franchised) retail stores (offline and/or online); • Open its own, and franchised, retail points of sale under the licensed marks, including online; • Carry on its own manufacturing, marketing and advertising of the brands/Licensed Products/Services, including online; • Service certain global/regional/national key customer accounts; and/or • Service certain reserved customer groups (e.g. duty free / airline channels), subject to competition law considerations. 	<ul style="list-style-type: none"> • Licensees may want to seek exclusivity, but should be prepared to pay more for such a right, or have increased obligations.
Sub-licensing	<ul style="list-style-type: none"> • A licensor will wish to exercise complete control over any entity using its IP and so will wish to exercise significant control over any proposed sub-licensing to third parties, even within a licensee’s group. • It is likely, however, that in many cases a licensee will be using third parties to make or provide Licensed Products/Services to the licensee’s order. Contract manufacture will however, generally, involve a sub-license of the marks where the contract manufacturer applies the mark to the goods or their packaging. • The template contemplates the use of contract manufacturers within section 19. Insofar as wider sub-licensing activities are permitted, the parties need to consider the conditions upon which any such sub-licensing 	<ul style="list-style-type: none"> • A right to sub-license is unlikely to be implied by law. <ul style="list-style-type: none"> • Consider providing for the right to appoint: Contract manufacturers; • Sub-distributors agents; and/or • Sub-licensees for

	<p>is permitted. This includes where different entities within a group structure will be involved in the manufacture, distribution and/or sale or provision of the Licensed Products/Services. See suggested provisions at (b)(vi) in this section but, additionally, consider: (a) extending scope of audit rights to reach through to sub-licensees; and (b) necessary changes to the royalty structure to ensure unit royalties apply to sub-licensee sales, to ensure an equivalent revenue stream for the Licensor on sub-licensee sales.</p>	<p>certain geographic areas where the licensee cannot effectively exploit the rights itself or where a local partner with expertise in a particular market is needed.</p>
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- (b) During the Term (and Renewal Term, if applicable), Licensee will not enter into any agreements with any entity granting Licensee the right to sell, distribute, advertise, or manufacture products that are similar to or competitive with the Licensed Products/Services and that are sold to Approved Customer(s).

Practice Points	
Non-Competition Restrictions	<ul style="list-style-type: none"> • Non-compete undertakings of this nature may implicate competition law depending on the territories affected by the license agreement. Advice on such terms should be taken.

- (c) Licensor reserves all rights not explicitly granted to Licensee under this Agreement.
- (d) Licensee acknowledges and agrees that this license shall pertain only to the Licensed Trademark(s) and Licensed Products/Services and does not extend to any other product, service, mark or label, whether such mark or label exists now, in the past, or in the future. Licensee further acknowledges that:
- (i) Licensor expressly reserves the right to grant to a third party licensee the right to develop and begin manufacturing/providing Licensed Products/Services (and/or similar, competing, or other products/services) and preparing for the distribution of the Licensed Products/Services (and/or similar, competing, or other products/services) in the Territory (including entering into agreements with Approved Customers) [[if exclusive], provided that a third party licensee may not distribute or sell Licensed Products/Services to Approved Customers in the Territory until the expiration or termination of the applicable Term or Renewal Term of this Agreement];
 - (ii) Licensor expressly reserves the right to use for itself, and/or to permit others to use, any variation or derivative of the Licensed Trademark(s), or any other mark, sign or label Licensor controls;
 - (iii) [if non-exclusive] Licensor expressly reserves the right to use for itself and/or to license any mark or label, including the Licensed Trademark(s) and any variations or derivatives thereof, to third party licensee, and to manufacture, distribute, and sell Licensed Products/Services];
 - (iv) Licensor expressly reserves the right for itself and/or third party licensees to manufacture and distribute Licensed Products/Services in the Territory for purposes other than those licensed to Licensee in this Agreement; and
 - (v) Licensor expressly reserves the right to advertise, offer for sell/provide, and sell/provide any products/services (bearing or under any mark or label, including the Licensed Trademark(s) and any variations or derivatives thereof) through Licensor's e-commerce websites, or e-commerce websites operated by Licensor's authorized affiliates.
 - (vi) [[sample Licensee reservation of sub-license rights provisions] The Licensee shall have the right to grant to any [person][affiliate only] a sub-license of any of its rights under this agreement provided that:
 1. Licensee obtains the prior written consent of Licensor [(such consent not to be unreasonably withheld, conditioned or delayed)];
 2. Licensee shall ensure that the provisions of any sub-license are in writing, and are on terms which are substantially the same terms of this agreement and no less protective of the licensor

than the rights of Licensor under this agreement, except that the sub-license must exclude any right on the part of the sub-licensee to sub-license any of its rights;

3. No sub-license may be exclusive without the prior written consent of Licensor (which consent may be refused in Licensor's absolute discretion);
4. All sub-licenses granted shall terminate automatically on termination or expiry of this agreement however occasioned; and must contain express provisions to such effect;
5. Licensee shall provide Licensor with a true and complete copy of the executed sub-license, without redaction, within [x] days of its execution. Unless otherwise required by law, the sub-license must be in the [English] language and in the event the sub-license is translated or executed in more than one language, the [English] language version must be expressed to prevail in the event of any conflict or inconsistency;
6. Licensee shall be liable for all acts and omissions of the sub-licensee and shall indemnify Licensor upon Licensor's demand from time to time from and against all costs, expenses (including but not limited to legal and other professional fees), claims, loss or damage incurred or suffered by Licensor, or for which Licensor may become liable (whether direct, indirect, consequential or punitive and including any economic loss or other loss of profit, business, goodwill or reputation) arising out of any act or omission of any sub-licensee, including any product liability claim related to Licensed Products/Services manufactured, supplied or put into use by the sub-licensee;
7. Licensee must use its best efforts at all times to ensure that Licensee complies with all its obligations under the sub-license in accordance with its terms including instituting and pursuing all legal proceedings at Licensee's disposal expeditiously at first instance and appellate level where necessary in order to restrain any such breaches or future breaches;
8. Licensee shall notify Licensor promptly when it has reason to believe a sub-licensee is in breach of its sub-license or anticipates a breach may be committed and shall provide Licensor with full particulars of the breach or anticipatory breach in question. Without prejudice to Licensee's general obligations at (g) above, where Licensor so requires, Licensee shall exercise any right of termination available to Licensee under the sub-license;
9. [an act or omission by the sub-licensee of its sub-license shall be treated as if it had been an act or omission of Licensee and, where that act or omission constitutes a breach of this agreement, it shall be deemed a breach by Licensee of this agreement and all rights and remedies of Licensor with respect to that breach shall be available to Licensor]; and
10. [any sub-licensee shall first execute a direct agreement with Licensor in a form acceptable to Licensor [under which, among other things: [(a) sub-licensee undertakes to comply with the terms of the sub-license; (b) concepts and other samples of proposed Licensed Products/Services are submitted directly to Licensor for approval; (c) Licensee shall afford Licensor direct rights to audit and inspect Licensee's accounts, books and records]].

A breach of this section (vi) shall be treated as a breach of condition entitling Licensor to terminate this agreement immediately by notice to Licensee.]

8. Approved Customer(s):

The "Approved Customers" are those customers listed in Exhibit 3. Licensee agrees that it will neither export Licensed Products/Services from the Territory nor sell or distribute Licensed Products/Services to any entity which is (i) not an Approved Customer, (ii) an Approved Customer that Licensee knows will, or has any reason to believe intends to, export Licensed Products/Services from the Territory, or (iii) an Approved Customer that Licensee knows will, or has any reason to believe intends to, resell or redistribute Licensed Products/Services to unapproved customers or through unapproved channels of trade.

Practice Points	All
Ex-Territory Sale Restrictions	<ul style="list-style-type: none"> • Territory restrictions on resale, including out of the territory, may implicate competition laws and appropriate legal advice should be taken. For example, for a license for one territory within the European Economic Area, a blanket restriction on a licensee's ability to export Licensed Products/Services from that territory within the EEA to another within the EEA may be considered prohibited under competition law insofar as it has the object or effect of preventing so-called 'passive' or unsolicited sales – i.e., fulfilling orders from within the EEA in response to unsolicited orders from customers in another territory. In this situation, a restriction may have to be couched in terms of a restricting on 'active'

	<p>selling outside the licensed territory, at least insofar as the export territory is a country within the EEA.</p> <ul style="list-style-type: none"> • In the USA and other regions, the EEA restrictions are not present, so the parties can carve out the territory in any manner they agree to.
Customer Restrictions	<ul style="list-style-type: none"> • A clause which restricts the customer type/group to whom Licensed Products/Services may be sold may, depending on the territory of the license, engage national or regional competition laws. Within the European Economic Area for example, such restrictions may be acceptable where the license establishes a selective distribution system. Whilst a resale restriction may be regarded as anti-competitive because the Licensee is unable to sell to customers who the Licensor has not approved, it may be justifiable within a selective distribution network if the resale restrictions are justified, viewed objectively, by the nature of the goods in question or to protect an aura of luxury attached to a brand. Appropriate legal advice should be taken in all cases.

9. Marketing Date:

Licensed Products/Services must be available for retail sale through Approved Customers by _____ (“Marketing Date”). Licensee must use best efforts to consistently sell and promote the Licensed Products/Services in the Territory throughout the Term and any Renewal Term (if applicable) to Approved Customers. If Licensee fails to comply with this provision, Licensor reserves the right to revoke any and/or all grant of rights to Licensee to manufacture, distribute, advertise, and sell Licensed Products/Services [[if non-exclusive] and to exercise such rights on its own, or to license such rights to a third party], without any compensation to Licensee. Licensor, in its sole and absolute discretion, may determine whether Licensee is in compliance with this provision.

Practice Points	Licensor	Licensee
Efforts Obligations	<ul style="list-style-type: none"> • Leaving determination of compliance with an efforts obligation to objective determination may be unattractive to a licensor. • The difficulty is that the scope of ‘best efforts’ obligations is notoriously hard to pin down, and thus rely on, when purporting to exercise a right of termination for breach of the performance obligation where the licensor is unhappy with performance. • Rather than rely on such general language the parties may wish to define specific ‘hard’ obligations in terms of, for example, minimum number of products being developed each season/year; commitments to launch events; commitments to trade events; commitments to minimum marketing and advertising spend by channel (offline and online); a guarantee that the products/services will be available within a minimum number of ‘doors’ within each year of the contract; commitments to implement and maintain a dedicated design, sales and marketing team (according to an approved structure chart) which will help ensure the rights are worked right across the territory of the license; etc.). • Licensor may also request that Licensee submit a marketing plan for approval. • A minimum royalty commitment may also be useful to ensure a minimum level of exploitation by the Licensee, although a licensor will resist any language which seeks to equate adequate performance with achievement of sales which equal any minimum royalty guarantee. 	<ul style="list-style-type: none"> • A unilateral determination of compliance by Licensor with an efforts obligation is unlikely to be acceptable to well-advised licensees. • Licensees generally try to avoid “best efforts” and request modification to “commercially reasonable efforts”.

10. Year:

For purposes of this Agreement, each “Year” shall commence and end as follows:

Year 1: _____ **[Year 2:** _____ **Year 3:** _____]

Practice Points	All
	<ul style="list-style-type: none"> • A year does not always have to be 12 months, or even a calendar year (for example, in Saudi Arabia which operates under the Hijri lunar calendar rather than Gregorian calendar). • In some situations, especially where the Licensee is launching a new service/brand or a new product line, or is otherwise required to meet minimums, the parties may agree that Year 1 is more than 12 months. • Consider in conjunction with the Term and expiry to avoid, for example, termination falling at a time which doesn't make sense having regard to seasonal product development cycles for the subject goods (e.g. where the natural expiry date falls at a time after a licensee has invested in a new season's product development but before product is shipped to customers, perhaps).

11. Upon Signature:

\$_____, representing the first quarterly MGR payment (as defined in Section 12) to Licensor for Year 1 and the Marketing Contribution (as defined in Section 14) to Licensor for Year 1. This payment to Licensor is non-refundable.

12. Royalty:

- (a) Licensee must pay Licensor a royalty equal to _____ percent (___%) of Net Sales of Licensed Products/Services (the "**Royalty**"). Royalties earned shall accrue as of the date Licensed Products/Services are shipped, billed or purchased, whichever is earliest.
- (b) Each Year, Licensee must pay Licensor Minimum Guaranteed Royalties ("**MGR**") based on Minimum Guaranteed Sales ("**MGS**") as follows:

<u>Term</u>	<u>MGS</u>	<u>MGR</u>
Year 1 (DD/MM/YY – DD/MM/YY):	_____	_____
[Year 2 (DD/MM/YY – DD/MM/YY):	_____	_____]
[Year 3 (DD/MM/YY – DD/MM/YY):	_____	_____]
 <u>Renewal Term</u>	 <u>MGS</u>	 <u>MGR</u>
[Year 4 (DD/MM/YY – DD/MM/YY):	_____	_____]
[Year 5 (DD/MM/YY – DD/MM/YY):	_____	_____]
[Year 6 (DD/MM/YY – DD/MM/YY):	_____	_____]

Practice Points	Licensor	Licensee
Format	<ul style="list-style-type: none"> • Consider using DD MMM YEAR with three letter abbreviation for month (such as JAN, FEB, etc.) to avoid any confusion as to whether 3/4/2020 means 3 April 2020 or March 4, 2020. 	

- (c) Licensee shall use commercially reasonable and diligent efforts to sufficiently meet the MGS thresholds during the Term and any Renewal Term of this Agreement.
- (d) MGRs are established each year of the Term following Year 1 at the greater of either (a) the current Year's MGR or (b) the actual amount of Royalties owed to Licensor in the prior Year. In no event will the MGRs for the current Year go below any threshold established in the previous Year of the Term. Any modification in the MGR or Royalties does not apply to the MGS or to any other payment obligations in this Agreement.

Practice Points	Licensor	Licensee
Format	<ul style="list-style-type: none"> • Parties to any license agreement will likely negotiate MGRs. This provision is Licensor-favorable and escalates MGRs if Licensee sales do better. Licensees may want a 	

similar provision mandating the MGRs go down if sales go down, or the Approved Customers go out business.

- (e) The MGR for each Year shall be payable to Licensor in quarterly installments on the first day of each quarter of each Year. The Royalty earned shall be calculated by Licensee thirty (30) days after the conclusion of each quarter (or such shorter period if this Agreement shall terminate prior to the end of a calendar quarter) based on: Net Sales multiplied by the Royalty rate less the MGR paid during the quarter. MGR payments to Licensor are non-refundable.
- (f) All payments shall be payable in accordance with the payment schedule set forth in Exhibit 4. Any payment due dates that fall on a weekend or national holiday shall be due on the next business day. All payments received later than the due date shall bear interest at the prevailing prime interest rate at the time payment is due (as reported in *The Wall Street Journal* as of the date the payment was due) plus five percent (5%).
- (g) Royalties and other sums payable under this agreement are exclusive of all sales taxes (which shall be payable at the same time as the principal payment of royalty or other sum is due hereunder against a tax invoice issued by the Licensor) and shall be paid without any set-off, counterclaim, deduction or withholding whatsoever, except for any withholding of tax on behalf of the Licensor which is required by law. If any such tax withholding is required by law the Licensee shall pay to the Licensor such sum as will, after the withholding has been made, leave the Licensor with the same amount as it would have been entitled to receive in the absence of any such requirement to make a withholding. If the Licensee is required by law to make a deduction or withholding, the Licensee shall, within five business days of making the deduction or withholding, provide a statement in writing showing the gross amount of the payment, the amount of the sum deducted and the actual amount paid.

Practice Points	Licensor	Licensee
Withholding Tax	In all international license transactions tax advice must be taken in order to understand whether royalties and other payments payable from the licensee are subject to any requirement to deduct any tax at source on behalf of the licensor. The licensor will wish to ensure that the net value of royalties is not reduced as a result of the deduction of taxes which it cannot claim a credit or refund for in its home tax jurisdiction. To address this, it may seek as per the draft a so-called 'gross up' clause designed to ensure that the amount it receives is the same it would have expected to receive if there was no withholding requirement.	The licensee will take the position that any obligation on its part to withhold tax at source is fulfilment of an obligation on the licensor's behalf. Accordingly, it should not suffer financially for a tax which is on the licensor, not the licensee. It will therefore wish to modify the clause to allow it to deduct withholding tax and pay over the net amount only to the licensor. Where under applicable tax laws or pursuant to a double tax treaty the licensor is able to receive full credit/refund against its home tax bill it may be willing to accept this, or alternatively may accept an obligation to provide credit against a gross up obligation to the extent it subsequently receives such credit or refund, but not otherwise. Specialist tax advice is necessary.
Sales Taxes on Royalties	The supply of trade mark rights under licence may be a taxable supply for the purposes of VAT/Sales taxes. As such the licensor may be obliged to add ad valorem sales tax to royalty invoices. It will want to ensure that the licensee is obliged to pay such sales taxes in addition to the principal amount of royalties and so should provide expressly that royalties and other payments are all exclusive of such taxes.	The licensee needs to understand whether sales or other taxes may need to be paid and consider whether these taxes may increase the effective cost of the licensee where they cannot be deducted against other tax obligations or otherwise credited.
Exchange Controls	The Licensor should take advice to ensure there are no exchange	

	control provisions under applicable law which could prevent remission of royalties from the licensee. If there are formalities that need to be followed before royalties may be remitted the licensee should address the respective responsibilities and make provision for what happens where such restrictions are in force (such as payment to an account either within the licensee country or to an alternative country where no such restriction on transfer of funds applies and/or cancelation of the license)	
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(h)

(i) **“Net Sales”** shall mean the gross invoiced amount of the Licensed Products/Services sold and delivered by Licensee based on Licensee’s standard wholesale price list for each country in the Territory in which the Licensed Products/Services are sold, less: (a) actual credits for returns (not including any other deductions taken under points (b)-(d) herein); (b) all Discounts and markdown allowances as provided in and as limited by Section 19 (Discounts); (c) all taxes collected by Licensee from, and payable by, the purchaser of the Licensed Products/Services pursuant to applicable law, to the extent included on the invoice; and (d) all freight charges which are separately included on the invoice. The following are not allowable deductions, whether granted on sales invoices or as post invoice credits: cash discounts granted as terms of payment; early payment discounts; promotional/new store discounts; allowances or discounts relating to advertising; costs incurred in manufacturing, importing, promoting, advertising or selling Licensed Products/Services; customs, duties, levies, impost; and uncollectible debt.

Practice Points	Licensor	Licensee
All	<ul style="list-style-type: none"> The above Net Sales definition, including allowable credits and deductions may not apply across all industries or be applicable to a license for services rendered. In many license agreements, there are caps on any of the allowable deductions, and one or more of the unallowable deductions is permitted under the circumstances of the Licensed Products/Services being sold. 	
Application	<ul style="list-style-type: none"> In respect of Section 11(c), “Commercially reasonable and diligent efforts” is a broad term and open to interpretation. For this reason, it is in the interests of the Licensor to retain this flexibility of interpretation in the event that the Licensor’s efforts are considered to be inadequate by the Licensor. 	<ul style="list-style-type: none"> In respect of Section 11(c), “Commercially reasonable and diligent efforts” is a broad term and open to interpretation. Consider seeking an amendment in bold (adopting wording elsewhere in the license) to: (c) Licensee shall use commercially reasonable and diligent efforts to sufficiently meet the MGS thresholds during the Term and any Renewal Term of this Agreement. For the purposes of this Section, commercially reasonable and diligent efforts shall be considered by reference to the prevailing industry or sector standard for such efforts in relation to products similar to the Licensed Products/Services that are sold in the same distribution channels, at the same SRP, and under brands and trademarks that are competitive with the Licensed Trademark(s).
Supplies not at arm’s length	<ul style="list-style-type: none"> The licensor may wish to provide that royalties are always calculated on a sale made for money on the basis of a sale between independent parties negotiated at arm’s length. As such it may wish to provide that 	<ul style="list-style-type: none">

	sales between affiliate entities are excluded (or treated on the same basis for royalty calculation purposes as a sale to an independent entity)	
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13. Design Services Contribution
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- (a) The “**Design Services Contribution**” is \$ _____, payable to Licensor by Licensee upon signing this Agreement to reimburse Licensor’s costs and fees concerning the maintenance and development of the Licensed Trademark(s) and additional trademarks, logos, and designs, including, without limitation, market research expenses, inspiration expenses, consultant and/or agent fees, creative fees, and internal costs such as the cost of purchasing prints, designs, and any items associated with the Designs of the Licensed Products or Licensed Trademark(s) in connection with this Agreement.
- (b) The Design Services Contribution is non-refundable and is not to be deducted from any other payment obligations herein. The Design Services Contribution is not a condition precedent or part of the consideration for the trademark license granted herein.

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> Consider amending (in bold) Section 13(b) to read: <i>“The Design Services Contribution is non-refundable and is not to be deducted from any other payment obligations herein. The Design Services Contribution is not a condition precedent, or part of the consideration for the trademark license granted herein and does not provide the Licensee with any ownership or other rights in the intellectual property and other developments set out in Section 13(a) apart from any rights that are otherwise specifically granted under this Agreement”.</i> This amendment may be considered on a case-by-case basis depending on the nature of the relationship, who the proposed Licensee is, or whether there is a risk in the Territory that the contribution would result in an ownership or entitlement (in whole or part) by the Licensee to the developed trademarks, logos, and designs. Local advice in the Territory is recommended for this issue. In the case of a License for Services, this provision may read more along the line of a “Administrative Fee” or “Management Fee” where the licensee would be paying for Licensor’s assistance in connection with the provision of Services by the licensee. 	<ul style="list-style-type: none"> Consider the extent to which the Design Services Contribution would give any ownership entitlement under the local law of the Territory. Local advice in the Territory is recommended for this issue.

14. Marketing Contribution
:

Licensee must pay to Licensor non-refundable contributions (each, a “**Marketing Contribution**”) of ___ percent (___%) of either (i) the prior Year’s actual Net Sales or (ii) the current Year’s MGS, whichever is greater, payable to Licensor thirty (30) days prior to the start of each Year of the Term, for Licensor to advertise and promote the Licensed Trademark(s), with the exception of Year 1 of the Term which contribution shall be \$_____, payable upon the execution of this Agreement by Licensee (the “**Execution Date**”). The Marketing Contributions are not to be deducted from any other payment obligations set forth herein.

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> The payment mechanism should be in accordance with the payment schedule (in Exhibit 4 of this agreement but otherwise cross-reference as required when drafting). 	

15. Advertising Commitment
:

- (a) Each Year, Licensee shall spend on co-op advertising and promotion of Licensed Products/Services, the greater of at least ___ percent (___%) of either (i) the prior Year’s actual Net Sales, or (ii) the current Year’s MGS. This commitment is not to be deducted from any other payment obligations set forth herein.
- (b) Each Year Licensee shall provide Licensor with an accounting of expenditures noting and describing each expense and the related dollars spent in connection with any advertising activity.
- (c) Licensee shall use commercially reasonable efforts to advertise the Licensed Products/Services during the Term and any Renewal Term.

- (d) Prior to the placement of any advertising or promotion of Licensed Products/Services, Licensee must obtain Licensor's Approval (as defined in Section 18). If Licensee and/or its Approved Customer(s) uses a disapproved advertisement or promotion, Licensor shall have the right, in addition to any other remedies available, to remove such Approved Customer(s) from the list of Approved Customers in Exhibit 3, and Licensor may terminate the Agreement under Section 28(a)(v) due to Licensee's unapproved use of the Licensed Trademark(s).

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> Consider an amendment (in bold) to Section 15(a) to read: <i>“Each Year, Licensee shall spend, on co-op advertising and promotion of Licensed Products/Services, the greater of at least one percent (1%) of either (i) the prior Year’s actual Net Sales, or (ii) the current Year’s MGS, an accounting of such expenditures in a form supplied by Licensor” to more easily integrate the reporting data from the Licensee with the data management system(s) of the Licensor for licensed activities.</i> 	<ul style="list-style-type: none"> Consider requesting a specific date for the reporting obligation in Section 15(a). Consider the amendment set forth for Licensor
“Commercially Reasonable Efforts”	<ul style="list-style-type: none"> “Commercially reasonable efforts” is a broad term and open to interpretation. For this reason, it is in the interests of the Licensor to retain this flexibility of interpretation in the event that the Licensor’s advertising efforts are considered to be inadequate by the Licensor. 	<ul style="list-style-type: none"> Consider seeking an amendment in bold (adopting wording elsewhere in the license) to: (c) Licensee shall use commercially reasonable efforts to advertise the Licensed Products/Services during the Term and any Renewal Term. For the purposes of this Section, commercially reasonable efforts will be benchmarked against the advertisement undertaken in relation to products similar to the Licensed Products/Services that are sold in the same distribution channels, at the same SRP, and under brands and trademarks that are competitive with the Licensed Trademark(s).
	<ul style="list-style-type: none"> In an age of ‘instant’ advertisement channels through social media, and increasingly on Instagram and similar, it is often in the interests of the Licensor to ensure a rapid response to any advertising approval requests in order to maintain the ‘brand momentum’ and recognition in the particular market sector. 	<ul style="list-style-type: none"> For the approval requirements in Section 15(d), note the proposed amendments in Section 18 to address where an approval request will automatically extend the 10-day period until such time as the approval is specifically granted or refused. For some advertising channels (peak times, popular media, print runs and so on), time may be of the essence for the

		Licensee to be able to secure the advertising 'spot' or third-party advertiser deadline or risk paying: a) a higher amount or b) no longer being able to have that 'spot' of meet the third party advertiser deadline.
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16. [Launch Contribution :

The “**Launch Contribution**” is a non-refundable payment of \$_____, payable by Licensee to Licensor within thirty (30) days of the Execution Date, for Licensor’s use within the Term in Licensor’s sole and absolute discretion. The Launch Contribution is non-refundable and is not to be deducted from any other payment obligations set forth herein.]

Practice Points	Licensor	Licensee
Scope	<ul style="list-style-type: none"> Consider whether the Licensor should outline the potential intended purpose/use of the Launch Contribution to the Licensee. This is a business decision based on the relationship (or intended relationship) between the parties and the facts of the license arrangement. 	<ul style="list-style-type: none"> Subject to business considerations, consider pre-signing discussions as to what is usually entailed or contemplated. For example: Would the Licensor use this for any activities that reference the Licensee or the licensed activities? Are there any concerns for the Licensee with these activities?
Relevance	<ul style="list-style-type: none"> Retain this provision if the license entails the launch of new products or new territories. Delete this Section if the license relates to existing goods already on the market 	

17. [Key Person/Sales Person for Licensee:

_____ has Licensor’s Approval as the person whose knowledge, creativity, inspiration, reputation, and/or skills are critical to this Agreement and to the viability of Licensee’s performance under this Agreement (the “**Key Person**”). Licensee will notify Licensor immediately of any changes in the employment status of the Key Person that may affect the Key Person’s role in supporting Licensee’s performance of this Agreement. If Licensee intends to appoint a new Key Person, Licensee must obtain Licensor’s Approval prior to such appointment, which Licensor may withhold in its sole and absolute discretion. Licensor reserves the right to terminate this Agreement if the Key Person, for any reason, ceases to be substantially involved in Licensee’s performance under this Agreement.]

Practice Points	Licensor	Licensee
Scope	<ul style="list-style-type: none"> It is in the Licensor’s interest to have the flexibility of determining what is meant by “substantially involved”. 	<ul style="list-style-type: none"> Consider seeking a more clearly defined meaning of “substantially involved” to limit the scope of how the Licensor may try to enforce this provision. For example, against a set of clearly defined parameters / benchmarks (level of control, reporting chain position, etc.) against which the Licensor can potentially terminate.
Relevance	<ul style="list-style-type: none"> Retain if a Key Person/Sales Person (as defined) is at the Licensee. Delete if a Key Person/Sales Person (as defined) is not at the Licensee. 	

18. Licensor’s Approval:

Whenever “**Licensor’s Approval**” is required in this Agreement, Licensee shall request such approval in writing, and the following procedure shall apply: Within ten (10) business days of Licensor’s receipt of any submission from Licensee for approval, Licensor may provide to Licensee in writing its approval or disapproval, which Licensor may grant or withhold in its sole and absolute discretion for any reason. If Licensor does not notify Licensee of its approval or disapproval within the designated time period, then the matter submitted to Licensor shall be deemed disapproved and shall require resubmission if Licensee wishes to request Licensor’s Approval again. Notwithstanding the foregoing, even if Licensor provides Licensee with materials for use in connection with Licensed Products/Services, such as Designs, then such materials shall be deemed to have Licensor’s Approval for purposes of this Agreement; however, such approval does not extend to the finished Licensed Products/Services incorporating Licensor’s materials, for which Licensee must separately obtain Licensor’s Approval.

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> It will be a business decision based on the particular licensor (size, location, chain of authority) as to whether 10 days is a suitable time period for the approval process. Consider also whether, if after the 10-day period, the parties are still discussing the nature of the approval required, if an automatic disapproval will issue or if an extension will apply (to avoid the automatic disapproval) (see comments for Licensee). If the Licensor is amenable to allowing an extension to apply, then consider the scope of what would be tolerated to trigger an extension. For example, detailed requests for particulars of the approval, asking for third party evidence that relates to the approval (such as a marketing authorisation from a government authority for example) and so on. In some cases, where approval may be a pivotal or contentious issue, the parties can utilize a third party impartial decision maker to resolve an impasse in the approval process. 	<ul style="list-style-type: none"> For the Licensee, consider the whether the 10-day period is practical under the circumstances. Consider carving out different time frames for different matters or including language to state that Licensor shall make best efforts to expedite approval process for time sensitive matters. Consider also requesting an amendment to cover negotiations or requests for further information on the approval sought. For example: “Where the Licensor, in response to request for approval, seeks further information, details or clarification from the Licensee, the ten (10) day period shall be extended until such time as the approval request is either specifically approved or disapproved by the Licensor”.
Scope	<ul style="list-style-type: none"> The date of receipt of the approval request from the Licensee will be calculated in accordance with the Notice Provisions of the contract. 	<ul style="list-style-type: none"> Licensee should consider whether it wants to have an acknowledgement of receipt from the Licensor of the approval request, and (potentially) for the approval period to be calculated from the date of acknowledgement. This will be a business decision for the Licensee in the particular case.

19. Manufacturing And Quality Requirement s:

(a) Within thirty (30) days from the Execution Date, Licensee shall prepare and submit to Licensor for Licensor’s Approval a Merchandising Schedule and Line Plan, as that is understood in the industry, for the first Collection. A “Collection(s)” is defined as showroom samples for each Design or group of Designs of the Licensed Products. Thereafter, a Merchandising Schedule and Line Plan must be submitted to Licensor for Licensor’s Approval at least sixty (60) days in advance of any subsequent seasonal Collection (a “Season”).

Practice Points	Licensor	Licensee
Relevance	<ul style="list-style-type: none"> Consider a definition of when a ‘season’ is to begin based on the season, product(s) to be offered under the license and particular territory in which the licensee operates. This can be critical given the increasing trend for seasonable festive products to be marketed earlier and earlier each year. For example: Halloween, Easter, Christmas and other cultural or religious holidays. Consider also that the seasons differ between the Northern and Southern hemispheres – clearly defined dates for each season in the Territory will remove any ambiguity. 	

(b) Licensee agrees that it must obtain Licensor’s Approval prior to the manufacture, offer for sale, sale, use, distribution, and/or advertising of the Licensed Products, including, without limitation, for all Designs,

samples including a preproduction sample or sampling, swatches, customers, and the selection of third party manufacturers of Licensed Products. Before obtaining Licensor’s Approval for each Design for a Licensed Product, Licensee must provide Licensor with two sets of the Collection within ten (10) days of Licensor’s request.

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> Consider flexibility on the timing of when the Collection is to be received based on the location of the Licensee (or location from which the Collection is to be sent). 	<ul style="list-style-type: none"> The goods in the Collection may need to travel overseas to the Licensor. Similarly, in the license for services the services may require certain changes to accommodate for provision in specific jurisdictions. May want to anticipate for delays. For example, international air freight/courier services suffered delays during COVID. Consider seeking an extension provision. For example. <i>“Upon request of the Licensee, and for reasons outside the control of the Licensee, the Licensor shall extend the ten (10) day period to such additional time as required by the circumstances”.</i>
	<ul style="list-style-type: none"> The extent to which the Licensor may wish to be flexible on the timing and approval provisions of this section (and related sections) will depend on a number of factors, including the nature of the products being licensed, who the Licensor is and any reputation/prior dealings that may be in place and the location of the Licensee/Territory. These will be business considerations for the Licensor bearing in mind that there is an interest in for the Licensor that the Licensee is able to carry out royalty-generating activities as soon as practically possible. 	<ul style="list-style-type: none"> Depending on the business circumstances, the Licensee should consider whether to seek specific timeframes for approvals for each of the factors in this section. For example, the appointment of a third party manufacturer for a particular season may need to be done within a short period of time and so it is in the best interests of the Licensee to have this approval quickly. Equally, if the approval provisions of Section 18 are applied, this could result in ‘automatic’ disapproval of the steps under Section 19(b) before the approval process can be completed. In the case of sample products, and a need to resubmit, this could incur additional cost (manufacturing and transportation) for the Licensee against a very short approval window.

(c) The distributed Licensed Product shall match and comply, which shall be determined in Licensor’s sole and absolute discretion, with the previously approved pre-production and production samples of each Licensed Product. If any Licensed Product does not match and comply, then Licensor may, in its sole and absolute discretion, suspend further production until the products conform, with no compensation to Licensee for such suspension or ramifications thereof. The licensee’s failure to suspend further production shall be deemed a material breach and governed by Section 28(ii).

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> This is critical to the Licensor’s interests as it may be that the initial approved samples and initial production runs are all of the same standard but, after a period of time and either through carelessness or deliberate act, the quality is allowed to drop. The latter is particularly a risk where the Licensee can obtain cost savings by reducing the quality of ingredients, different manufacturer, or a combination of both. This can result in very significant brand damage. 	<ul style="list-style-type: none"> A delay in notification of suspension could result in a product run continuing longer than needed, incurring potential loss for the Licensee, particularly for high volume goods. Consider seeking a notice provision that the Licensor, upon determining that the Licensed Product does not match and comply, must notify the Licensee within a specific period of time. The period can depend on the nature of the production line for the product - the higher the volume/value, the shorter the notice period should be.

(d) Licensed Products shall be manufactured at the expense of, and under the control of, Licensee. Licensee agrees that it is solely responsible for ensuring that the Licensed Products shall: (i) meet or exceed the industry's highest quality standards and specifications for products similar to the Licensed Products that are sold in the same distribution channels, at the same SRP, and under brands and trademarks that are competitive with the Licensed Trademark(s); (ii) be sourced, manufactured, promoted, advertised, sold, and distributed in accordance with any and all applicable laws, rules and regulations, including without limitation, those relating to product safety, wages (including minimum wage and overtime), hours, and labor conditions; and (iii) not be manufactured or produced by child, prison, or slave labor. Licensed Products not complying with applicable laws, rules, regulations, or standards shall be deemed disapproved, even if previously having Licensor's Approval, and shall not be shipped or otherwise sold. Licensor shall have the right at any time in its sole and absolute discretion to require Licensee to recall, at Licensee's expense and with no compensation to Licensee, any Licensed Products if they do not meet the requirements of this provision. If Licensor determines, in its sole and absolute discretion, that any Licensed Products do not meet the requirements of this provision, then Licensor may, in its sole and absolute discretion, suspend further production until Licensed Products meet the requirements of this provision, with no compensation to Licensee for such suspension or ramifications thereof. Licensee's failure to suspend further production shall be deemed a material breach and governed by Section 28(ii).

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> • The risk of brand damage for the Licensor is significant if a breach of any of these requirements were to take place. • Consider imposing a notice requirement on the Licensee requiring that, where the Licensee becomes aware of any breach of this section, that it shall immediately notify the Licensor within 24 hours of the Licensee becoming aware of the breach. • Depending on the particular product and nature of the breach, consider also requiring that the Licensee immediately cease manufacturing or distribution, or issue directions to this effect to the supply chain, within a specific period of time. This can vary on the nature of the product and, in the case of a product that poses a risk to consumer safety (such as a lithium-ion battery for example), that the cessation of manufacture/distribution be immediate. This can be drafted based on the particular licensing arrangement. • From the Licensor's perspective, these provisions are in the Licensor's favour to enable effective protection of the brand. • A business decision may be made on whether to waive/soften any of these in a particular case but the default position is that they should be retained where possible. 	<ul style="list-style-type: none"> • These requirements place a significant burden on the Licensee to ensure compliance throughout the manufacturing/supply chain. • Consider enshrining identical provisions in the Licensee/manufacturer/supply chain agreements. • Additionally, consider seeking a notice provision that the Licensor, upon determining that the Licensed Product does not match and comply, must notify the Licensee within a specific period of time. The period can depend on the nature of the production line for the product - the higher the volume/value, the shorter the notice period should be. • A delay in notification of suspension could result in a product run continuing longer than needed, incurring potential loss for the Licensee, particularly for high volume goods. • Under the current section, a change in the applicable law causing the approved products to now be disapproved, will be outside the control of the Licensee but would be at the expense of the Licensee. • Consider seeking an amendment that where the cessation of manufacturing/distribution is due to a change in law, that a shared expense be agreed between the parties. This will depend on the nature of the product and of the business relationship. For example, the introduction of a ban on electric scooters in the Territory due to a change in vehicle licensing could trigger the operation of this section. An amendment that would enable the transfer of the scooters from the Territory to the Licensor or another country designed by the Licensor with an agreed credit value for the scooters and shared transportation costs may be a potential amendment.
Force Majeure	<ul style="list-style-type: none"> • Parties should consider the scope of the Force Majeure provisions in relation to this section and any drafting amendments that are negotiated. 	

- (e) Licensee agrees to furnish Licensor promptly with the addresses of Licensee’s or its third-party manufacturers’ production facilities for the Licensed Products/Services. Licensor shall have the right upon reasonable notice to Licensee or any of its manufacturers, during regular business hours, to inspect any production facility where any Licensed Product is being manufactured to determine whether Licensee or its manufacturer is adhering to the requirements of this Agreement relating to the nature and quality of the Licensed Products/Services.

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> While there is a vested interest in the Licensor being able to make such inspections, they may not be practical if the manufacturer is based overseas. Equally, the manufacturer is not a party to the license so it is not obliged to grant access to the Licensor. Consider any manufacturer approval granted to the Licensee as being contingent upon Licensee securing an access agreement from the manufacturer for the Licensor. 	<ul style="list-style-type: none"> The manufacturer may not be willing to grant access to the Licensor for a variety of reasons. This could include the risk of the Licensor being able to identify proprietary knowledge or technology of the manufacturer, and/or seeing other manufacturing lines for competitor companies in the same sector (or for other companies generally). Depending on the nature of the Licensee’s activities, the same concerns may arise in respect of any direct manufacturing (of the Licensed Products or others) conducted by the Licensee. When considering a potential manufacturer, the Licensee should procure agreement in advance of the terms in which access would be granted (or if at all) before proposing the manufacturer to the Licensor for approval. It may be that Licensor access to the manufacturer is an essential term to be included in the Licensee/manufacturer agreement.
Force Majeure	<ul style="list-style-type: none"> The extent to which the parties can negotiate the terms of any inspection Section will be a business consideration for each party. 	

- (f) It is Licensee’s responsibility to ensure that all Licensed Products are manufactured in accordance with the terms of this Agreement. Licensee shall take all steps necessary to ensure that no manufacturer (i) produces the Licensed Products other than as and when directed by Licensee; (ii) distributes, sells, or supplies the Licensed Products to any person or entity other than Licensee; or (iii) delegates in any manner whatsoever its obligations with respect to the Licensed Products. Licensee is responsible and liable for all acts and omissions of Licensee’s manufacturer, as if such acts or omissions were Licensee’s own. If Licensor determines, in its sole and absolute discretion, that Licensee has not complied with this provision, then Licensor may, in its sole and absolute discretion and in addition to Licensor’s other available remedies, suspend production of Licensed Products until Licensee is in full compliance, with no compensation to Licensee for such suspension or ramifications thereof. Licensee’s failure to suspend further production shall be deemed a material breach and governed by Section 28(ii).

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> From the Licensor’s perspective, these provisions are in the Licensor’s favor to enable effective protection of the brand. A business decision may be made as to whether to waive/soften any of these in a particular case but the default position is that they should be retained where possible. For a License for Services, consideration should be given to 	<ul style="list-style-type: none"> The Licensee should enshrine these terms (with relevant amendments) in the contracts into which it enters with the manufacturer and seek suitable indemnity provisions. The subjective “<i>sole and absolute discretion</i>” in favor of the Licensor is understandable given their need to protect the brand. However, considering seeking an amendment to temper the effect of this section. For example, notification timing requirements on the Licensor (see earlier practice point in this section). This

	detailed specification on how to render services, perhaps developing and using a Manual, perhaps mandating training. But beware that such provisions could convert the license agreement into a franchise agreement at least in the United States, and possibly other jurisdictions.	will be a business decision of the Licensee in the context of the particular matter.
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20. Discounts:

- (a) Discount sales and allowances made at __ percent (_0%) or more below the standard wholesale price (“Discounts”) shall not exceed [__ percent (--%)/__ percent (_%)] of the total Net Sales of Licensed Products/Services in any given Year. Licensee shall pay Licensor a Royalty based on the standard wholesale price of Licensed Products/Services for any or all Discounted sales that exceed the permitted [__ percent (_%)/__ percent (_%)] of the total Net Sales.
- (b) [Notwithstanding the provisions of the previous paragraph, Licensee may sell damaged Licensed Products (“Irregulars”) or second quality Licensed Products (“Seconds”) to approved discount retailers (“Discount Retailers”) at less than Licensee’s standard wholesale prices if, and only if, all such Licensed Products to be sold have had the label and any other distinguishing marks on their packaging removed, cut, or obliterated by permanent ink marker wherever such ink marker is possible, and such Licensed Products are clearly distinguished as Irregulars or Seconds in quality.
- (c) Licensee shall not use nor permit the use of the Licensed Trademark(s) or any designation similar to the Licensed Trademark(s) in connection with any promotional sale or in connection with any advertising or promotion of Irregulars or Seconds, unless any such advertising or promotion has received Licensor’s Approval.
- (d) Licensee agrees to fill all orders for Irregulars and Seconds in at least the same manner which Licensee fills orders for the Licensed Products/Services.]

Practice Points	Licensor	Licensee
Application	<ul style="list-style-type: none"> • Where the Licensor does permit sales of the type under Section 20(b), consider including a prior approval provision requiring the Licensee to provide the Licensor with samples, guidelines or both of how they proposes to ‘de-label’ the products/identify that they are Irregulars or Seconds in quality and with sole discretion for the Licensor to approve, disapprove or require amendments to the proposal. • Consider similar prior approval provisions in Section 19(c). • Licensor may not permit such sales at retail level. 	<ul style="list-style-type: none"> • Licensees may want to push for the ability to get rid of inventory and consider offering to remove labels/tag or other brand indicia; or to sell such products in markets that a licensor never sells to or does not care about.
Relevance	<ul style="list-style-type: none"> • The provisions in relation to sale of Irregulars and at Discount Retailers will not always apply to a particular license and can be deleted in those cases. • Where they <i>may</i> apply, the decision on whether to permit the Licensee to sell the Irregulars or Seconds in these channels is a business decision for the Licensor. • In some cases, rather than omitting these provisions from the contract, the Licensor may elect to specifically prohibit sale through discount retail channels. For example, in connection with premium clothing or electrical/electronic items. 	

21. Royalty Reports:

Licensee will provide the following reports to Licensor, regardless of whether Licensee has had any Net Sales during the applicable period:

- (a) A seasonal business plan containing a forecast of sales in units and dollars thirty days before each Season, with final updated sales results within thirty (30) days after each Season.
- (b) An annual quarterly forecast in the form to be supplied by Licensor thirty (30) days before the start of any Year during the Term and any Renewal Term, and for Year 1 within thirty (30) days of the Execution Date; updated fifteen (15) days after the end of each quarter.
- (c) A Monthly Sales Report showing final actual Net Sales for the preceding month using the form shown in Exhibit 5, within fifteen (15) days after the end of each month in each Year of the Term or any Renewal Term.
- (d) On or before January 31, April 30, July 31 and October 31 of each calendar year during the Term and any Renewal Term, Licensee shall forward to Licensor a statement in the form supplied by Licensor, certified as accurate by an officer of Licensee, showing the aggregate gross sales, the total deductions (broken down by category) creditable against gross sales, and the aggregate Net Sales for the previous calendar quarter (including a breakdown of all sales of closeouts, irregulars, seconds, and regulars to Approved Customers).
- (e) Within thirty (30) days after the end of each Year, Licensee shall forward to Licensor a statement in the form supplied by Licensor, certified as accurate by a certified public accountant and an officer of Licensee, showing aggregate gross sales, the total deductions (broken down by category) creditable against gross sales, the aggregate Net Sales for such Year (including a breakdown of all sales to Approved Customers), and the computed Royalty for such Year by Approved Customer.

22. Audit:

Licensee agrees to keep accurate books and records covering all transactions relating to the license granted by this Agreement and, at the request of Licensor, with reasonable advanced notice, to furnish said books and records as well as related information specified and requested by Licensor. Licensor's representatives shall have the right, on reasonable notice during normal business hours, during the Term and any Renewal Term, and for two (2) years after the termination or expiration of this Agreement, to examine said books and records and make extracts or copies thereof one (1) time per year. Licensee must use commercially reasonable efforts to cooperate with Licensor and its representatives or auditors throughout the examination process, including in the preparation and release of related reports. In the event that such examination should show an understatement of fees due to Licensor, Licensee shall promptly pay to Licensor any additional fees due by this reason, plus interest thereon at an interest rate of one and one-half percent per month (up to the maximum amount permitted by law) until paid in full, and in the event that the deficiency was equal to or greater than five percent (5%) of Net Sales for the respective period, Licensee shall also bear the expenses incurred for said examination.

Practice Points

- Clearly this is written in U.S. Dollars, but all license agreements should be governed by the currency agreed upon by the parties.
- Licensee may want to qualify notice period.
- Depending on leverage, the parties could also set up duelling audits to confirm the initial licensor audit, and then a process for determining which audit is more accurate through an outside expert or third auditor.

23. Trademark:

- (a) Licensee hereby acknowledges Licensor's exclusive ownership, right, title, and interest in and to, and the validity of, the Licensed Trademark(s). All use of the Licensed Trademark(s) by Licensee pursuant to this Agreement and all goodwill associated with such use shall inure to the benefit of Licensor.
- (b) During the Term, any Renewal Term, and after the termination or expiration of this Agreement, Licensee agrees not to directly or indirectly contest Licensor's ownership, right, title, or interest in or to, or the validity of, the Licensed Trademark(s). If Licensee breaches the obligation set forth in the previous sentence, as determined by Licensor in its sole and absolute discretion, then Licensor shall have the right to terminate this Agreement. The terms of this Section 23(b) shall survive expiration or termination of this Agreement.
- (c) Licensor, in its sole and absolute discretion, may elect to maintain or cause to be maintained relevant trademark registrations for the Licensed Trademark(s) at Licensor's own expense. All such trademark registrations shall be in the name of Licensor. Nothing in this Agreement shall obligate Licensor to maintain, file applications for, or seek to register, all or any of the Licensed Trademark(s) in any countries within the Territory. Licensee shall do whatever Licensor deems reasonably necessary and/or advisable for the protection or use of the Licensed Trademark(s) in the Territory at Licensor's expense, except and to the extent Licensor's actions are necessitated by the acts or omissions of Licensee or its manufacturers. Licensee shall cooperate promptly with Licensor in connection with the preparation and execution of any documents Licensor deems necessary to protect or use the Licensed Trademark(s), including, without limitation, documents necessary for the filing, maintenance and renewal of registrations for the Licensed Trademark(s) and/or the recordal of license agreements. Licensee shall not file any documents or

applications related to the Licensed Products/Services, Designs, Licensed Trademark(s), or this Agreement without Licensor's Approval.

Practice Points	
<ul style="list-style-type: none"> • Licensee may want to add language that obligates Licensor to provide notice to Licensee if any of the Licensed Trademarks are contested/disputed by third parties (whether another individual or company or by a national trademark office or other authority in the Territory) or expired. 	

- (d) Licensee agrees to promptly notify Licensor in writing of (i) any infringement, imitation, or counterfeiting of the Licensed Trademark(s) or the Licensed Products/Services; (ii) any third party use, applications or registrations for the Licensed Trademark(s) or other marks similar to the Licensed Trademark(s); (iii) any instances of the importation and sale of otherwise unauthorized Licensed Products/Services or imitations or counterfeits thereof by any third party; or (iv) any suit or proceeding or action involving the Licensed Trademark(s) in the Territory.

Practice Points	
<ul style="list-style-type: none"> • May want this to be mutual. • Consider also setting a deadline for notification for 'high risk' Territories. 	

- (e) Except as provided otherwise in Section 26(b), the institution and conduct of litigation or other legal proceeding, the selection of attorneys, and the settlement of litigation and claims affecting the Licensed Trademark(s) in the Territory, including monetary relief awarded for such proceedings, shall be entirely within the sole and absolute discretion of Licensor and under Licensor's control. Licensee may designate counsel to represent it, at its own expense, and consult with Licensor's counsel in connection with any such litigation or other legal proceeding, provided that Licensee does not, in the judgment of Licensor in its sole and absolute discretion, adversely affect any of Licensor's rights or claims or the enforcement or pursuit thereof. Licensee does not have the right to institute or conduct any litigation or other legal proceeding involving the Licensed Trademark(s) without Licensor's Approval. The costs, fees, and expenses (including, but not limited to, investigatory expenses and legal expenses such as attorneys' fees, court costs, and filing fees) incurred in connection with any action relating to Licensed Products/Services in the Territory pursuant to this provision shall be borne by the Party initiating any such action, except that, if the action is related to infringement by Licensee or Licensee's manufacturer or other agent, then Licensee must indemnify Licensor as set forth below in Section 26, including but not limited to Licensee's payment of, and/or reimbursement to Licensor for, any costs, fees, and expenses associated with such action.
- (f) If Licensee desires to sell Licensed Products/Services outside the Territory, Licensee must first obtain Licensor's Approval, which Licensor may withhold in its sole and absolute discretion. Notwithstanding the procedure set forth in Section 18, Licensor's failure to timely respond to such request for approval shall be deemed to be its disapproval of the sales outside of the Territory. If Licensor agrees in writing to approve sales outside of the Territory, the Territory herein shall be deemed to have been amended to include the approved location. Licensor shall be under no obligation to obtain trademark protection for the Licensed Trademark(s) in any approved locations outside the original Territory, and Licensor does not guarantee that such protection will be obtained during the Term or Renewal Term of this Agreement, if ever. Nevertheless, if Licensor approves the sales of Licensed Products/Services outside of the Territory and Licensor determines that some form of trademark protection is necessary in the approved location beyond Licensor's existing rights in such location, Licensor and Licensee shall negotiate and determine which party shall be responsible for fees and costs associated with obtaining trademark protection for the Licensed Trademark(s) and/or recording licenses in the approved location.

Practice Points	
Timely Response	<ul style="list-style-type: none"> • May want to specify no more than 10 business days

24. Assignment:

(a) This Agreement may be assigned by Licensor, and Licensor will provide Licensee with notice of such assignment within fifteen (15) days of such assignment. The assignee's rights and obligations under this Agreement shall be the same as those of Licensor, and Licensor will consequently be relieved of any and all obligations under this Agreement. In the event of a Licensor assignment or transfer, Licensee hereby waives, and shall have no recourse to make, any claims against Licensor or its assignee/transferee for Licensee's subsequent loss in sales or customers of the Licensed Products/Services. However, if any loss in sales or customers is shown to be a direct result of any such assignment or transfer, Licensee and the assignee/transferee shall negotiate in good faith to amend the then-current terms of the existing license agreement with the understanding that any such negotiation may result in a new license agreement with material and substantially different terms. If no agreement is reached on terms for a new license agreement, the then-current license agreement, including any renewals or amendments, shall, in Licensor's or its assignee's sole and absolute discretion, continue until its expiration or terminate in accordance with Section 31.

Practice Points	
Assignment	<ul style="list-style-type: none">• Add language to allow Licensee to back out of agreement in the event of assignment. For example, if the intended assignee licensor was an entity that the Licensee had a commercial disagreement with in the past, was a competitor, or other such factor such that the Licensee would not have entered into a contract with that party if they had been the Licensor for the current agreement.• May want to set up a Change in Control definition allowing an assignment by Licensee if it transfers less than 50% of the Licensee's entity and retains control.• May want to permit transfer, but ask for a Transfer Fee.

(b) This Agreement is personal to Licensee. This Agreement and the rights granted to Licensee under this Agreement shall not be directly or indirectly assigned, sublicensed, or subcontracted, in whole or in part (whether by act of Licensee, operation of law, in bankruptcy, or otherwise) without the prior written consent of Licensor in Licensor's sole and absolute discretion. Any assignment or attempted assignment pursuant to any change of control of Licensee, merger, or the sale of stock, assets, or business of Licensee or sale of a product line or division that includes rights to any of the Licensed Trademark(s) or Licensed Products/Services, shall not be effective without the prior written consent of Licensor in Licensor's sole and absolute discretion. Any assignment in violation of this paragraph shall be null and void. Licensor has the right to terminate this Agreement in the event of a substantial change of control and/or ownership of Licensee.

(c) Without waiver of or prejudice to the prohibitions set forth in the preceding paragraph, in the event that Licensee seeks to assign, sublicense, subcontract, or otherwise transfer (collectively, "**Transfer**") Licensee's rights or interest in this Agreement, and Licensor grants its prior written approval to such Transfer, the transferee of such rights or interest shall be bound by all the terms of this Agreement and shall, before beginning to perform under the Agreement, be required to obtain Licensor's Approval under this Agreement, and the original Licensee shall remain fully liable and responsible hereunder. In the event of such approved Transfer, Licensee shall pay to Licensor __ percent (__ %) of the amount paid by the transferee for such Transfer.

25. Ownership:

All Designs receiving Licensor's Approval, or that are provided to Licensee by Licensor in connection with the Licensed Products/Services, are the intellectual property of Licensor. Licensee irrevocably assigns to Licensor all of Licensee's right, title, and interest in the Designs for Licensed Products/Services, including, without limitation, any patents, trademarks (including the goodwill), and copyrights or other intellectual property interests therein, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. To effectuate such assignments, if necessary, and solely in the instance where Licensee has ceased operations or otherwise does not take action in compliance with a request from Licensor within ten (10) days after said request is received, Licensee hereby grants Licensor an irrevocable power of attorney. To the extent Licensee utilizes the intellectual property of third parties, Licensee represents and warrants that it has taken, or shall take prior to Licensee's use of such intellectual property, all steps necessary to ensure that Licensor and Licensee can use the intellectual property in connection with the sale of Licensed Products/Services, including obtaining, upon Licensor's request, an assignment or license of such intellectual property rights to Licensor.

Practice Points	
Intellectual Property	<ul style="list-style-type: none">• Depending on situation, Licensee may still own rights to the designs.• Local advice in the Territory is recommended for this issue.

- Consider Power of Attorney - Parties are advised to check whether there are particular legal formalities that need to be observed in order to grant a binding power of attorney in their specific jurisdiction, e.g. UK entities must execute powers of attorneys as 'deeds' which requires certain specific wording and execution formalities to be observed.

26. Indemnity:

- (a) Licensee shall indemnify Licensor and hold Licensor harmless from and against any and all loss, expense, cost, damage, liability, or injury (including attorneys' fees and costs) that Licensor may sustain as a result of any claim, demand, or cause of action for any damage, liability, or injury of any kind or nature whatsoever, arising out of or in connection with (i) the Licensed Products/Services; (ii) Licensee's actions or inactions in performance of this Agreement; (iii) any claims of unauthorized use of or infringement of any trademark, service mark, copyright, patent, process, method, device, or other proprietary right by Licensee in connection with the designs of or otherwise related to the Licensed Products/Services (excluding the use of the Licensed Trademark(s) expressly permitted hereunder); (iv) false advertising, fraud, misrepresentation, or unfair competition related to the Licensed Products/Services; (v) unauthorized use of the Licensed Trademark(s) by Licensee; (vi) Licensee's non-compliance with any applicable laws, rules, or regulations; (vii) libel or slander against, or invasion of rights of privacy or publicity of, any third party by Licensee; (viii) any subcontractors, vendors, agents, or representatives of Licensee seeking payment from Licensor; or (ix) Licensee's breach of any of its representations or warranties or any other obligations under this Agreement. Licensee shall, at Licensor's request and in Licensor's sole and absolute discretion, assume on behalf of Licensor the costs of any defense of any action at law or suit in equity or any other proceeding which may be brought against Licensor upon such claim or demand and Licensee shall pay on behalf of Licensor the amount of any and all costs, fees, and expenses in connection with such defense, including the fees of Licensor's counsel, which Licensor's counsel shall be selected by Licensor in its sole and absolute discretion, as well as any judgment, fine, or penalty that may be entered against Licensor in any such action, suit, or proceeding. This indemnity shall continue in full force and effect notwithstanding the termination or expiration of this Agreement. No approval or disapproval by Licensor of any action of Licensee shall affect Licensor's rights hereunder. For the purposes of this Section 26, "Licensee" shall be defined as including any and all subcontractors, agents, or designated representatives of Licensee, as well as any other third party working in connection with or on behalf of Licensee.

Practice Points

- May want to also include representations and warranties here for both parties. For example: on Licensor side, representations and warranties regarding ownership of the mark and, on Licensee side, authority to enter into agreement, no conflicts with third parties or other limiting or adverse factors.
- Discuss potential liability cap or carve-outs, e.g., Licensee shall not be responsible for indemnifying for any issues resulting from Licensor's actions/inactions.

- (b) In the event a third party should make orally or in writing, or file within the Territory, any claim against Licensee for trademark infringement or other related claim for the rights licensed to Licensee by Licensor under this Agreement on account of Licensee's proper and authorized use of the Licensed Trademark(s) in the Territory in full and complete accordance with the terms hereof, and provided that Licensee promptly notifies Licensor of such claim, Licensor shall undertake defense or settlement of such claim as to the Licensed Trademark(s) through counsel of Licensor's own choosing and at Licensor's expense, and may take whatever steps Licensor deems, in its sole and absolute discretion, necessary or appropriate to defend or settle or finally dispose of such claim.
- (c) If any claim is disposed of by agreement or court order suspending distribution of Licensed Products/Services, Licensee, upon notice from Licensor, shall promptly suspend its distribution of Licensed Products/Services pursuant to such terms. Except for defense of a claim and payment of accompanying damages to the claimant, Licensor shall not be responsible for any damages or expenses suffered by Licensee as a result of such suspension or limitation, including without limitation consequential damages, and under no circumstances shall Licensor be liable for an amount greater than royalties and MGRs actually received under this Agreement.
- (d) With respect to any actual or threatened dispute, suit, or proceeding that could directly or indirectly affect the Parties in any manner, the Parties shall keep each other reasonably advised of all developments, and, at the request of the other Party ("**Requesting Party**"), shall provide the other Party ("**Providing Party**") with copies of all relevant documents exchanged, and the Parties shall fully cooperate with each other in all respects in connection with any such dispute, suit, or proceeding. If neither Party is a Requesting Party, the

other Party who would be the Providing Party in the event of such request shall not be deemed to be in breach of this provision if it does not provide copies of all relevant documents exchanged in connection with such dispute, suit, or proceeding. The obligations hereunder shall survive the expiration or termination of this Agreement.

27. Products Liability and Insurance:

Licensee shall, at its own expense, procure and maintain throughout the Term, any Renewal Term, and any Sell Off Period a products liability insurance policy with a reasonable insurance carrier acceptable to Licensor. The policy should carry, with respect to the Licensed Products/Services, a limit of liability of not less than five million Dollars (\$5,000,000) per occurrence. Such insurance policy shall (i) be written for the benefit of both Licensee and Licensor, with Licensor included as an additional insured, and (ii) provide Licensor with at least thirty (30) days' notice prior to any cancellation or amendment of the policy. If, within thirty (30) days of Licensor's request, Licensee fails to provide Licensor with certificates of insurance evidencing the required coverage, Licensor shall have the right to purchase the required coverage at Licensee's expense. Nothing contained in this Section shall be deemed to limit in any way the indemnification provisions in Section 26.

Practice Points

- May also want to include a section to address product recall.
- In that case, consider the allocation of costs in relation to the product recall. For example, if the product recall arises from an act of the Licensor, or of the Licensee, or an authorized manufacturer or other entity in the supply chain for either party, or as a result of a determination by an authority in a Territory or in the home country of the Licensor. The particular scenario and chain of 'responsibility' can be considered as the basis on how to apportion costs.

28. Default & Breach:

- (a) The Parties deem the following to be essential conditions of this Agreement:
- (i) Licensee's compliance with any and all payment obligations under this Agreement, including the payment dates for the amounts due hereunder by Licensee to Licensor;
 - (ii) Licensee's manufacture, distribution and/or sale of only those Licensed Products/Services meeting with Licensor's Approval, including but not limited to, Licensee's obligations pursuant to Sections 19(c), (d) and (f);
 - (iii) Licensee's sale of Licensed Products/Services only to Approved Customers within the Territory, and Licensee's compliance with Section 8 of this Agreement;
 - (iv) Licensee must comply with the obligations in Section 19(a) in a timely manner;
 - (v) Licensee may not use or register the Licensed Trademark(s) or Designs, except as expressly set forth in the Agreement;
 - (vi) Licensee may not directly or indirectly contest Licensor's ownership, right, title, or interest in or to, or the validity of, the Licensed Trademark(s), as determined by Licensor in its sole and absolute discretion;
 - (vii) Licensee's compliance, along with compliance by any and all of Licensee's agents, subcontractors, manufacturers and suppliers, as well as with any and all applicable laws, rules, and regulations, including, without limitation, that Licensed Products/Services may not be manufactured or produced by child, prison, or slave labor; and
 - (viii) Licensee making commercially reasonable efforts to ensure that no others use the Licensed Trademark(s) except as expressly set forth in the Agreement.
- (b) Any breach of Sections 28(a)(i), 28(a)(ii), 28(a)(iii), 28(a)(iv), 28(a)(v) or 28(a)(vi) shall be considered a material breach and may, in Licensor's sole and absolute discretion, result in immediate termination of this Agreement with no cure period and no Sell Off Period. Notwithstanding the preceding sentence, and only for a breach of Section 28(a)(i), Licensee shall have five (5) business days to cure such breach after having received notice of such breach from Licensor, provided that such breach does not occur two (2) or more times during the Term or any Renewal Term.
- (c) In the event that Licensee breaches Section 7 of this Agreement, and in addition to Licensor's other remedies and actions contemplated herein, (i) Licensor may enjoin Licensee from using the Licensed Trademark(s) or distributing or selling Licensed Products/Services, and (ii) Licensee must indemnify Licensor, pursuant to Section 26, with respect to such injunction. In the event that Licensor learns from any third party that Licensee is breaching or may have breached Section 7, Licensor may suspend all rights granted to Licensee in this Agreement pending an investigation as to whether Licensee is breaching or has breached Section 7.

- (d) In the event that Licensee defaults upon or breaches this Agreement for any other reason, in addition to any and all rights that Licensor may have against Licensee, Licensor may, in its sole and absolute discretion, immediately terminate this Agreement if:
- (i) such default or breach occurs, and (i) Licensee fails to cure such default or breach to Licensor's satisfaction within ten (10) days after written notice of such breach or default is given by Licensor to Licensee, which for the purposes of this sentence may be made by e-mail, or (ii) if, in Licensor's reasonable judgment, such failure to cure cannot be corrected within ten (10) days after receipt of written notice, Licensee fails to undertake efforts to correct such default or breach within such 10-day period and/or fails to diligently continue such efforts to completion; or
 - (ii) the same default or breach occurs two (2) or more times during the Term or any Renewal Term, regardless of whether Licensee cures, or takes steps to cure, such default or breach; or
 - (iii) if a petition under any bankruptcy law shall be filed by or against Licensee, which petition, if filed against Licensee, is not dismissed within thirty (30) days thereafter, or if Licensee executes an assignment for the benefit of creditors, or if a receiver is appointed for the assets of Licensee, or if Licensee becomes insolvent or takes advantage of any insolvency or any other like statute.
- (e) In any case of termination due to Licensee's default or breach of the Agreement, in addition to Licensor's other rights and remedies, the remaining MGR for the balance of the Term and any Renewal Term shall be immediately due from Licensee and payable to Licensor. It is agreed and understood that this payment for said default or breach is reasonable and represents a part of the damages to Licensor as a result of the default or breach of the Agreement by Licensee.
- (f) If Licensee breaches this Agreement for any reason whatsoever and Licensor incurs any fees or costs in connection with the enforcement of any provisions of this Agreement due to the breach, Licensee shall reimburse Licensor for any such costs, including, but not limited to, attorneys' fees and audit costs.
- (g) Following any termination of this Agreement, (i) Licensor shall have no duty to mitigate any damages with respect to any amounts due under this Agreement, including, without limitation, by seeking other licensees; reducing or eliminating assets, costs (direct or indirect), or other resources; or taking any other action; and (ii) amounts due to Licensor under this Agreement shall not be subject to reduction as a result of any compensation received by Licensor from any third party in any capacity.
- (h) Licensor shall not be liable for any of Licensee's lost profits, punitive, consequential, special or incidental damages in connection with any breach or default under this Agreement.

Practice Points

- Termination can be done so many ways, the above is just one example.
- Parties may want to set up a liquidated damages provision for material breach or early termination in a different manner. If this is done, beware that this kind of provision must be reasonable, and not a penalty.
- Licensor may want to set up a Letter of Credit or other mechanism for securing payment if there is a breach. The Letter of Credit would cover a certain amount of royalties for a period of time, perhaps based on the MGR, or an average of the royalty paid in prior years. This is similar to a liquidated damages approach, but it mandates that the money be available and accessible upon a triggering breach of contract termination event.

29. Wind Down Period:

The last Season for which Licensee may manufacture and sell Licensed Products/Services is _____, unless Licensor and Licensee enter into a Renewal Term or this Agreement is earlier terminated. Licensee shall not manufacture Licensed Products/Services during the last six (6) months of any Term or Renewal Term that is not being renewed in excess of the amount Licensee reasonably anticipates will be sold prior to the expiration of the applicable Term or Renewal Term.

Practice Points

- Licensor may also want to insert a provision that does not permit the Licensee to have any recourse against Licensor for pursuing another licensee during the remainder of the Term.
- Licensee may want to mandate that Licensor activities during the Wind Down period are confidential, and that nothing Licensor is doing with any third parties can become effective until after termination of the license agreement.

30. Sell Off Period:

- (a) Licensee shall be entitled to continue to sell off remaining inventories of Licensed Products [on a non-exclusive basis] for sixty (60) days from the date of termination or expiration of this Agreement, except in

the case of termination for material breach (which is addressed in Section 31). Licensee must pay to Licensor the Royalty on all Net Sales of Licensed Products made during the Sell Off Period.

Practice Points

- Length of time given to sell off remaining inventories is a business decision.
- Consider whether the sell-off will be confined to the Territory or, in certain circumstances, permitted to be sold in another territory or via another channel to facilitate the sell-off. For example, permitting online sales through a third-party e-commerce platform where such sales were not previously permitted.
- In a Services agreement, the licensee may negotiate for a period of time that permits continuance in the provision of services, if Licensee is bound by contract to do so for a customer.

(b) After the expiration of the Sell Off Period, any remaining inventory of Licensed Products shall, at Licensor's sole option, be (i) sold to Licensor at Licensee's cost of goods, (ii) donated to a mutually agreed upon charity, or (iii) destroyed. Licensee shall provide Licensor with an affidavit signed by Licensee's officer attesting to such disposition within thirty (30) days after expiration of the Sell Off Period.

31. After Termination or Expiration:

- (a) Subject to the Sell Off Period described in Section 30, upon the termination or expiration of the Agreement, (i) the license herein granted and all rights of Licensee shall cease and terminate, (ii) Licensee shall immediately discontinue and abandon any and all use of the Licensed Trademark(s), (iii) Licensee shall cease all manufacture, sale, and deliveries of the Licensed Products/Services, and (iv) Licensee shall cease to represent or advertise that Licensee is a current or former licensee of Licensor or otherwise associated with the Licensed Products/Services.
- (b) Upon expiration of this Agreement, or in the event of a termination from a material breach under Section 28(a)(i), 28(a)(ii), 28(a)(iii), 28(a)(iv), 28(a)(v) or 28(a)(vi), Licensee shall, at Licensor's request and in Licensor's sole and absolute discretion: (i) immediately transfer to Licensor, or Licensor's designated representative, ownership and possession of all remaining inventory of Licensed Products/Services in Licensee's possession or control; or (ii) immediately destroy all remaining inventory in Licensee's possession or control in the presence of an agent of Licensor or its designated representative.

32. Notices:

Any notice required or permitted to be given in writing under this Agreement shall be sent (i) by registered or certified mail, return receipt requested, (ii) by overnight delivery service, (iii) by facsimile (if the sender receives machine confirmation of successful transmission), or (iv) by e-mail (if the sender receives a read receipt). All such notices shall be effective upon attempted delivery when sent by registered or certified mail or overnight delivery service or the next business day if sent by facsimile or e-mail to the persons below or such other persons as Licensor or Licensee may from time to time specify to each other in writing:

<p>_____</p> <p>_____</p> <p>_____</p> <p>Tel: [_____]</p> <p>Fax: [_____]</p> <p>E-mail: [_____]</p> <p>Attn: [_____]</p> <p>Title: [_____]</p> <p>With a copy also sent to: [_____]</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>Tel: [_____]</p> <p>Fax: [_____]</p> <p>E-mail: [_____]</p> <p>Attn: [_____]</p> <p>Title: [_____]</p> <p>With a copy also sent to: [_____]</p>
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33. Confidentiality:

- (a) Each of the Parties agrees that it shall:
- (i) hold in confidence all proprietary information and documentation which it has received or may receive from the other Party (the “**Confidential Information**”), including, but not limited to, the terms of this Agreement, certain trade secrets, know-how, marketing plans, and information regarding Royalties, using a degree of care no less stringent than it uses with its own most confidential information, but in no event less than a reasonable degree of care;
 - (ii) not make any disclosure of such Confidential Information to any third party without the prior written approval of the disclosing party, unless required by law or regulation or by proper order of a court of competent jurisdiction to disclose the Confidential Information, in which case the receiving party may disclose the information upon reasonable notice to the disclosing party;
 - (iii) limit access to Confidential Information to only its professional advisors (including lenders, counsel, and advisors) and its officers, directors, or employees to whom disclosure of such information is required for the purposes contemplated in this Agreement or as necessary to operate the business, provided that such individuals will be advised of the confidential nature of the Confidential Information and shall be subject to the same requirements relating to Confidential Information as provided herein; and
 - (iv) not use such Confidential Information except for purposes contemplated in this Agreement.
- (b) This Section is not applicable to any information which (i) the receiving party is authorized by the disclosing party to disclose, (ii) is generally known or becomes part of the public domain through no fault of the receiving party, (iii) the receiving party establishes it received in good faith from a third party having legitimate and unrestricted possession of such information, or (iv) is independently developed by the receiving party or its agents without any use of the Confidential Information.
- (c) The terms of this Section shall survive the expiration or termination of this Agreement.

Practice Points

- Ideally, both parties should want this kind of confidentiality provision in the license agreement. It benefits both parties, protects both parties, and does so mutually.
- Note, importantly, that the Confidentiality provision survives expiration or termination. This is crucial so that neither party can use the Confidential Information as long as it remains confidential, regardless of whether the license agreement is in effect or not.
- Internationally, the concept of maintaining confidentially is recognized in many jurisdictions, so this kind of provision is likely enforceable anywhere in the world. Nonetheless, parties should make sure to consult with the local laws to confirm compliance.

34. Warranties & Representations:

- (a) Each Party represents and warrants to the other Party that to the best of each Party’s knowledge: (i) the Party has the full power and authority to enter into and perform its obligations under this Agreement; and (ii) the Party’s execution and performance under this Agreement is not limited or prohibited by, and does not cause a breach of, any agreement or understanding to which the Party is a party.
- (b) Licensor represents and warrants that it owns all right, title and interest in and to the Licensed Trademark(s) in the Territory, as defined as of the Effective Date.

Practice Points

- Usually the Licensor wants to make as specific and narrow a warranty and representation as possible.
- Note that the provision limits the Licensor representation to the actual licensed marks, the defined Territory, and the Effective Date.
- Usually the Licensee does not have to warranty and represent anything further than what is in 34(a). However, sometimes Licensees have additional compliance obligations in manufacturing or supply chain, which may see the Licensor seeking to expand the warranties and representations for the Licensee.
- Usually the Licensee may want the Licensor to represent “worldwide” trademarks rights.
- Licensees should not expect a brand owner to warrant that because obtaining such “worldwide” rights is not always possible or necessary. Indeed, licensees should be aware that if they ask for such “worldwide” rights, a Licensor might make the Licensee pay for acquiring such rights, or to make a business case for doing so.

35. Other License Terms:

(a) Currency. “Dollars” or “\$” in the Agreement shall refer to United States currency, which shall be based on the exchange rate averaged each quarter.

Practice Points
<ul style="list-style-type: none"> Clearly this is written in U.S. Dollars, but all license agreements should be governed by the currency agreed upon by the parties (for wherever they intend to do business).
<ul style="list-style-type: none"> Consider inserting express provision which provides for the rate at which Net Sales in a currency other than the nominated currency are converted for the purpose of calculating royalties, and the date upon which such conversion takes place.

(b) Measurements of Time. Unless otherwise specified in this Agreement, any references to “days” in this Agreement shall refer to calendar days.

Practice Points
<ul style="list-style-type: none"> This provision is relatively standard. But licensors and licensees should know that other measurements of time may be included, for example, the parties may want “years” to be defined as 18 months instead of 12 months.

(c) Force Majeure. If either Party is materially hampered from performing hereunder by reason of any law, natural disaster, labor controversy, war, terrorist act, pandemic or epidemic, or any similar event beyond its reasonable control (“**Force Majeure**”), failure to perform shall not be deemed a breach of or default under this Agreement, and neither Party shall be liable to the other for such breach or default. If a Force Majeure continues for more than a period of time that Licensor determines in its sole reasonable discretion would compromise any Licensed Trademark(s) or Licensed Products/Services or opportunities related to the Licensed Trademark(s) or Licensed Products/Services, then upon written notice, Licensor may terminate this Agreement without further liability to Licensee. This shall not be applicable to any Licensee obligations involving the payment of money to Licensor.

Practice Points	Licensor	Licensee
	<ul style="list-style-type: none"> This provision helps Licensor in the following ways: (1) it allows Licensor to terminate with no liability to Licensee, and seek a second source for the Licensed Products/Services in case of a Force Majeure event; and (2) it still compels Licensee to pay any money obligations incurred prior to the Force Majeure event. This area may also call for a licensor to negotiate for a second source of supply of the licensed goods/services. 	<ul style="list-style-type: none"> Licensee benefits from this kind of provision because of their inability to comply with their license obligations. But many will push back for a more mutual provision that gives the Licensee the right to terminate in case of a Force Majeure event. Many licensees will also push back on the obligation to pay money. Licensees should consider negotiating for the right to amend license terms in the event of a Force Majeure. For example, if such an event occurs, perhaps the licensee can modify the Territory and sell into a new one to avoid the Force Majeure, or lessen its impact.

(d) Applicable Law, Jurisdiction, and Venue. The Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to the conflicts of law provisions thereof. Any litigation, action, or proceeding arising out of or in relation to this Agreement shall be instituted in a federal court in the State of New York. Licensee hereby waives any objection which it might have now or hereafter to jurisdiction of the federal courts in New York, and Licensee waives any claim or defense of inconvenient forum. Licensee consents to service of process by registered mail, return receipt requested, at Licensee’s address, and expressly waives the benefit of any contrary provision of law. Anything to the contrary herein notwithstanding, a temporary restraining order or injunction may be sought or obtained by Licensor from any court of appropriate jurisdiction pending the determination of any controversy arising out of or in relation to this Agreement.

Practice Points

- In general the Licensor gets to dictate what law applies, and where any disputes should be decided. However, the parties could, respectively, decide to have their chosen law decide their specific disputes in different forums of their choosing.
- This is generally true even if the parties decided to use arbitration. Indeed, for international agreements involving parties from different countries, it may be advisable to consider arbitration over use of a local country forum for disputes. Here's a sample arbitration provision:

Arbitration. With the exception of disputes or claims concerning trademark misuse, unfair competition, dilution, counterfeiting, or trademark infringement, all other disputes, controversies, and claims arising out of this Agreement shall be settled and determined by arbitration in New York City before a panel of three (3) arbitrators pursuant to the [International Arbitration Rules] [Commercial Arbitration Rules] of the American Arbitration Association. The parties agree to impose a time limit of six (6) months on any such arbitration proceeding, as measured from the date of the first claimant's first filing. The parties agree that the arbitrators shall have the power to award forms of relief including but not limited to damages, injunctive relief, preliminary injunctive relief, temporary restraining orders, and reasonable attorneys' fees and expenses to any party in such arbitration. Anything to the contrary herein notwithstanding, a temporary restraining order or injunction may be obtained by Licensor or Licensee from a court of appropriate jurisdiction pending the determination of any controversy pursuant to this arbitration provision. For all claims or controversies arising out of Licensee's trademark misuse, unfair competition, dilution, counterfeiting, or trademark infringement, Licensor may prosecute and seek all relief permitted by law for such claims in any court of appropriate jurisdiction.

- The parties will want to consider the arbitration administrator, the location for arbitration, and how they want to govern the arbitration. Parties are able to exert a lot of control of the number of arbitrators, how long the arbitration can last, what the arbitrators can decide, including whether damages or attorney fees should be awarded.

- (e) Independence of the Parties. The Agreement shall not be deemed to create any joint venture or any partnership between the Parties. It is understood that each Party to this Agreement shall be independent of the other and that neither Party hereto shall have any right or authority to bind the other Party except as provided in this Agreement. Each of the Parties hereto has been represented by counsel of its choice in the preparation, negotiation and execution of the Agreement. In construing the Agreement, including all provisions and exhibits, no presumption shall be made in favor of or against any Party based on who drafted or prepared the Agreement or such provision or exhibit.

Practice Points

- This provision works to the advantage of both parties to preserve their respective independence, and that neither side has been taken advantage of during the negotiation. It is a relatively standard provision in almost any brand license.

- (f) Enforcement. The Parties agree that any judgment or order rendered by a court in the United States of America may be enforced in a court of law throughout the Territory. The Parties agree that they will be bound by the United States judgment or order in their respective countries of origin. The Parties further agree that any non-United States court of law or other judicial body may enforce any United States judgment or order rendered against either of the Parties.

Practice Points

- This is a crucial provision as it covers enforcement of the agreement wherever such enforcement may be needed. It can also be extended to cover arbitration rulings if the license provides for such a dispute resolution mechanism.

- (g) Travel. In connection with any travel undertaken by a Licensor representative at the direction of Licensee for product development, advertising or promotional purposes, or otherwise, Licensee shall provide prepaid business class travel and accommodations for Licensor's representative, and shall reimburse Licensor for all other reasonable expenses Licensor and Licensor's representative may incur as a result of such travel.

Practice Points

- While seemingly innocuous, this provision is rather standard in many brand license provisions, and sometimes negotiated extensively. And while the sample provision is drafted in Licensor's favor, provisions like this can and are drafted to also cover Licensor-mandated travel by Licensee.

(h) Successors & Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, each of the Parties hereto and their respective permitted successors and assigns.

Practice Points

- Do NOT forget this provision. If you ever want to be able to obtain enforcement of successors or assigns of your original licensee or the original licensor, this provision is crucial.
- Notwithstanding this clause, some jurisdictions may have contract rules under the applicable law of the contract may render it difficult to enforce contractual obligations against a successor / assignee of one of the parties. Parties are advised to ensure that any assignee is required to accept binding obligations to the original counterparty by being required to execute a deed of adherence/novation as a condition of taking the benefit of the license agreement.

36. Entire Understanding and Amendment S:

This Agreement constitutes the complete understanding between the Parties with respect to the subject matter of this Agreement, supersedes all prior oral or written understandings and agreements relating to the subject matter of this Agreement, and shall not be modified, amended, or terminated except as provided herein or by written instrument signed by all of the Parties. Neither Party is acting in reliance upon any representation or guarantee of the other besides those explicitly provided for in the Agreement. If Licensee requests an amendment to this Agreement, Licensee shall reimburse Licensor promptly for all reasonable attorneys' fees and expenses incurred by Licensor in connection with such amendment, regardless of whether the amendment is executed by the Parties.

Practice Points

- This provision is crucial to make sure that the terms of the license agreement are final, and cannot be modified or amended by any other writings between the parties.

37. No Waiver:

The failure by either Party to object to any breach of the Agreement, or to enforce at any time or for any period any provision of the Agreement, shall not constitute a waiver of such provision or of such Party's rights or remedies, shall not constitute consent to the modification of the Agreement, and shall not affect such Party's right thereafter to enforce each and every provision of this Agreement.

Practice Points

- While this provision would seemingly work to prevent the parties' past conduct from giving meaning to the agreement terms, the law in the United States and other jurisdictions does allow for the parties' conduct to sometimes dictate what the terms of the agreement mean, if such terms are vague or ambiguous.

38. Partial Invalidity:

If any term, covenant, or provision contained herein shall be invalid or illegal, such invalidity or illegality shall not impair, invalidate, or nullify the other provisions of the Agreement.

39. Counterpart S:

The Agreement may be executed in several counterparts, each of which shall be considered an original but which together shall constitute one and the same instrument. Executed copies of this Agreement may be transmitted by facsimile or electronic mail in PDF format by any Party and the signature on such copy will be deemed binding for all purposes without delivery of an original signature being thereafter required.

Practice Points	
Counterparts & Signatures	<ul style="list-style-type: none"> • These two provisions are standard in most brand license agreements. They serve to benefit both parties and should always be included in some form.
Signatures	<ul style="list-style-type: none"> • Below is the most important part of any license – the signatures. • While one would think the parties would always remember to sign their brand license agreements, many times this signature is forgotten or lost. Without it, the chances are you will NOT be able to bind the other party unless you can prove they signed the agreement.

Each Party warrants that the individual whose signature appears below has been duly authorized by the Party to sign this Agreement and to bind the Party to this Agreement.

[signature page follows]

[remainder of page intentionally blank]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year first written below.

[Licensor]

[Licensee]

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT 1

LICENSED TRADEMARK(S)

EXHIBIT 2

EXHIBIT 3
APPROVED CUSTOMERS

