



---

# TRADEMARK LICENSE AGREEMENT & GUIDELINES

## **Included:**

Overview

Dos and Don'ts Checklist

Trademark License Agreement Instructions

Sample Trademark License Agreement

## 1. Overview

A company's ability to buy and sell property is essential to its long-term life and vitality. Although it does not take up physical space, an excess of intellectual property can burden a company, directing limited funds towards maintaining registrations, defending against third-party claims, or creating and marketing a final product. Licensing intellectual property can have an immediate positive effect on a company's finances, generating revenue and decreasing costs. A company looking to obtain a license must be sure that the licensor does, in fact, have title to the desired items. A properly-drafted trademark license agreement can help in both circumstances.

A trademark license agreement allows the licensee to use (but not own) the licensor's trademark in connection with agreed-on products or services. Licensing can help a company expand into new markets effectively and easily while lending the licensee an established name and reputation. The marketing efforts made by the licensee will in turn benefit the licensor's goods and goodwill.

If you follow the enclosed sample and guidelines, you will have a written acknowledgment of the rights and responsibilities being licensed. This will provide essential documentation of ownership and liability obligations and you will be well on your way to establishing rights in and responsibilities for your selected trademarks.

## 2. Dos & Don'ts Checklist

- A trademark protects names, terms, or symbols used to identify the products of a certain manufacturer or company. This includes brand names like "Coca-Cola" and images like Nike's famous "swoosh." With a trademark license, the owner of the trademark allows the licensee to use that mark in exchange for certain fees and/or royalties. No ownership rights are transferred in this exchange. Keep this in mind if you revise the language of the enclosed document.
- A license is different than an assignment, which is an outright sale in all ownership rights to a trademark. A transfer of all rights is not a license. Do not revise the agreement to extend the reach of the rights being provided.
- A trademark license is typically accomplished through a contract, like the written agreement form that follows. After the parties have negotiated and signed their agreement, the document should be recorded with the U.S. Patent and Trademark Office (USPTO). Although this is not absolutely required, it does give the public notice of parties that have the right to use the mark. It may protect the licensor from claims that it has abandoned and no longer has rights in its trademark.
- The advantage of licensing your trademark is that you retain the potential for future income, both in your own use and development of the mark and in royalties received from your licensees. However, such income is by no means certain, and your opportunities are paralleled by risk. If you sell your trademark outright, you are guaranteed payment at the price you and the purchaser have negotiated. On the other hand, that one-time payment is all that you will ever receive for your property. You will no longer have the right to control anyone else's use of your creation. Consider carefully which approach will be best (and most lucrative) for you and your company.

- The law permits an owner to license its trademarks only if he or she controls the nature and quality of the goods or services that bear those marks. Pay particular attention to the provisions in the enclosed agreement that discuss quality standards and the appearance of the marks. The owner is permitted to monitor the licensee's use of the marks, and should do so continuously to protect them and the goodwill associated with them. The agreement is only a first step – active monitoring and use of trademarks is still required.
- On the other hand, excessive control in a licensing arrangement may lead a court to the conclusion that it is instead a franchising arrangement. If quality control is found to have "significant" control over the licensee's business, the governing document may be termed a franchising agreement and the licensor will be subject to specific and limiting state and federal franchise laws. Talk to an attorney if you have additional questions or concerns about the differences between these types of arrangements.
- Do not enter into an agreement without completing your due diligence. If you are seeking a license to use another party's trademark, conduct searches with the USPTO, all 50 states, DBA filings, other government agencies, and online directories to make sure the licensor actually has complete and unique rights in the offered property. Although your findings will not guarantee title, you may have protection as an "innocent purchaser" if disputes arise. You might also find critical information about the valuation and breadth of the mark. Consider hiring a professional to help in your investigation. Comparing trademarks often requires a specialized understanding of what marks will be considered confusingly similar or deceptive.
- If you are licensing your trademark to an outside party, make sure you own it. Although this may seem obvious, ownership of intellectual property is rarely clear-cut. For example, you may have a name that you think of as your trademark, but unless you have used it in business, you do not have rights in that mark. Even if you have been using a mark in your business, another company may have started using it before you and have priority rights in that mark. A thorough search of the relevant marketplace and registry office should be conducted before you attempt to license your trademark.
- Before licensing your trademark, get information about the potential licensee's business reputation and position, product portfolio and scope, and scale of production and distribution. Licensors can rely on the potentially better manufacturing capacity and industry knowledge of another company without making additional investments to obtain this information.
- Both parties should review the agreement carefully to ensure that **all relevant deal points** have been included. It is better to be over-inclusive than under-inclusive. Do not assume that certain expectations or terms are agreed to if they are not stated expressly on the document.
- Sign two copies of the agreement, one for you and one for the other party.
- It's a good idea to have your agreement notarized. This will limit later challenges to the validity of a party's signature or of the transfer itself.
- If your agreement is complicated, do not use the enclosed form. Contact an attorney to help you draft a contract that will meet your specific needs.

### 3. Trademark License Agreement Instructions

The following provision-by-provision instructions will help you understand the terms of your agreement.

The numbers and letters below (e.g., Section 1, Section 2(a), etc.) correspond to the provisions in the contract. Please review the entire document before starting your step-by-step process.

- **Introduction of Parties.** Identifies the document as a trademark license agreement. Write in the date on which the agreement is signed. Identify the parties and, if applicable, what type of organization they are. Note that each party is given a name (e.g., "Licensor") that will be used throughout the agreement. As you probably guessed, the Licensor is the party that is lending ("licensing") its interest and the Licensee is the party receiving it.
- **Recitals.** The "whereas" clauses, referred to as recitals, define the world of the agreement and offer key background information about the parties. In this document, the recitals include a simple statement of the intent to license rights in the Licensed Marks.

Use the first blank to describe briefly the type of business that the Licensee conducts. If the Licensee is involved in more than one type of business, describe the industry in which the Licensed Marks will be used. Note that the Licensee's use will be restricted to this described industry.

Note also that there is a reference in the recitals to "Schedule 2," in which the types of products and services that will be labeled with the Licensed Marks are listed.

- **Section 1: Grant of License.** The extension and acceptance of the license of the trademarks and service marks. Note that the marks being licensed are not described in the Agreement itself. The Agreement references "Schedule 1," and explains that the full description is located on that schedule. Be as complete and clear as possible in your description of the property being licensed.

Note the bracketed phrases in this section. The first is "non-exclusive." If a license given is non-exclusive, it means that the licensee is not the only one who can receive rights in the marks. Other individuals or companies may also receive licenses. However, a licensor should be careful about granting licenses to too many licensees. There is a danger that the strength of the underlying marks will be diluted, and perhaps irreparably harmed. The second bracketed word is "worldwide." By including this, the Parties agree that the Licensee has the ability to use the Licensed Marks not only in the U.S. but throughout the world. Delete this word if this does not describe your arrangement.

- **Section 2: No Assignment or Transfer.** Unlike an assignment, in which an owner's entire interest is transferred to the buyer, a license gives the licensee only specific, listed rights. The licensee is not permitted to resell or transfer its rights, which are only partially and temporarily provided. This section reiterates that fact, and requires the Licensee to obtain the Licensor's advanced written permission if it wants to do an assignment or transfer.
- **(Optional) Section 3: Territory.** Delimits the geographical area in which the Licensee can use the Licensed Marks. This is an optional section, and gives the Licensor the ability to further restrict the rights it is giving to the Licensee. If this section is not included, the Licensee (subject to the terms of the Agreement) will be able to use the marks without any physical restrictions. If you remove this section, correct the section numbers and the references in the document.

- **Section 4: Consideration.** In most agreements, each party is expected to do something. This obligation may be to perform a service, transfer ownership of property, or pay money. In this case, the Licensee is giving money (sometimes called “consideration”) to receive a license of the Licensor’s property. There are two options provided, and you should select the one that best suits your arrangement. In the first, the amount the Licensor receives will be directly tied to the Licensee’s sales:

- (a) License Issue Fee. This subsection provides for an initial payment by the Licensee for the right to the license of the Licensed Marks. Enter the amount of this first payment.
- (b) Royalties. This is the meat of the payment that the Licensor will receive under this Agreement. Essentially, the Licensee will pay a percentage of every sale it makes on Licensed Services or Products to the Licensor. You can change this to be a per-unit royalty (i.e., a set fee every time a sale is made) or make the percentage rate variable over the Term (e.g., increasing over the Term based on an assumption that sales will increase over time). This is a matter of negotiation between the Parties and you should discuss which arrangement will best suit you. If you select the model provided, enter the percentage that the Licensee will pay to the Licensor on these sales. The royalty payments are scheduled to be reported and paid quarterly under the terms of this subsection. If you want these payments to be more frequent (e.g., monthly), change this sentence to fit your agreement.
- (c) Minimum Royalty. To make sure the Licensor receives at least something every year in exchange for its agreement to license its marks, this subsection establishes a minimum required annual payment. Enter the amount of the minimum royalty payment you want to establish. Note that if this payment is not made, the Licensor has the right to terminate the Agreement.

In the second option, the Licensor will receive a set payment in exchange for the license it provides. The Parties can make this as a one-time lump-sum fee or as a set of installment payments made over time. A set fee structure will limit the amount of reporting and book-keeping that need to be done on both sides, but may or may not be as lucrative for the Licensor.

Select the option that best suits your arrangement and preferences, and delete the other.

- **Section 5: Maintenance of Records and Audit Rights.**

- (a) Books and Records. Requires the Licensee to maintain accurate books and records about sales made pursuant to this Agreement. This is particularly important when the Parties have decided to compensate the Licensee with royalty payments. To make sure that the Licensor is receiving its due share of the sales the Licensee makes of the Licensed Products or Services, it is given the right under this subsection to review the Licensee’s books.
- (b) (include only if select first option in Section 4) Underpayment of Royalties. Indicates that if the Licensee pays less than what is due in royalties, it will be required to pay that amount with interest to the Licensor.
- (c) (include only if select first option in Section 4) Overpayment of Royalties. Indicates that if the Licensee pays more than what is due in royalties, it is entitled to deduct the amount of the overpayment from future royalties owed. If the overpayment came at the end of the term of the agreement, the Licensor will simply return the money to the Licensee.

- **Section 6: Term.** Allows you to specify how long you want the Agreement and the license to last. Enter the number of years that the initial term will be. Note that the Agreement (and the license) will renew automatically every year after the end of that first term. To end the arrangement, either Party can give notice to the other by following the procedures in Section 14.
- **Section 7: Ownership and Use of Licensed Marks.**
  - (a) Ownership of Licensed Marks. Reiterates that the Licensor is the owner of the marks being licensed, and that no ownership transfer is taking place under this Agreement.
  - (b) Limitations on Licensee's Actions. Limits the Licensee's ability to take any actions that would challenge or undermine the Licensor's ownership in the Licensed Marks.
  - (c) Assistance in Protecting Goodwill. Goodwill can be defined as the intangible value of a piece of property (e.g., a brand's reputation and recognizability). This is an essential element of a trademark and constitutes much of its value. Because of this, it's essential that the Parties work together to continue to develop and maintain the goodwill of the Licensed Marks. This subsection notes specific actions that the Licensee must take (or refrain from taking) to protect this property.
  - (d) Notification of Infringement. If the Licensee does discover that a third party's trademarks are infringing on the Licensed Marks, it has a duty under this subsection to report the infringement to the Licensor. Indeed, depending on the indemnification structure selected in Section 13, if it does not provide this notification immediately, it may not be able to recover any money it spends on bringing charges against the third party infringers. Note, however, that the Licensee must notify the Licensor before it brings any actual lawsuit against a third party for infringement, and the Licensor must give its approval in writing before any action is taken.
  - (e) No Unrelated Use. Requires any use of the Licensed Marks by the Licensee to be related to the Licensee Business. Any other uses or attempted uses will be invalid without the prior permission of the Licensor.
  - (f) No Use of Other Trademarks. Emphasizes that the only marks of the Licensor that the Licensee is given a right to use are the Licensed Marks. Any intellectual property owned by the Licensor that is not listed on Schedule 1 is not licensed under this Agreement.
- **Section 8: Quality Standards.** A key element of a trademark licensing agreement is quality control. The Licensee must produce goods that meet the Licensor's standards, or the Licensor's customers (and the general public) could lose confidence in the Licensor and its products. Both Parties could be harmed in such cases.
  - (a) Established Standards. Allows the Licensor to establish quality standards for products manufactured or sold by the Licensee using the Licensed Marks. The creation of these standards rests mostly in the Licensor's hands, although it cannot establish standards that are more stringent than those that may be imposed by the Licensee's customers.
  - (b) Review of Associated Products. In order to assess whether or not the Licensee's goods meet the established Quality Standards, the Licensor needs to be able to review those products. To that end, this subsection gives the Licensor the right to visit the Licensee's facilities to make sure these standards are being met.

- (c) Representative Samples Required. Allows the Licensor to review the products to determine that the Licensed Marks are being printed or displayed in a way that is accurate and a good representation.
- (d) Other Specifications. A catchall provision that allows the Licensor to require additional things of the Licensee to make sure the products sold under its brand are equal to established Quality Standards.

- **Section 9: Marking on Products.**

- (a) Designation that Marks are Licensed. Indicates that the Licensor may (but does not have to) require that any products being sold by the Licensee under the Licensor's marks show clearly that the mark is being used by license only (i.e., that a complete transfer of ownership has not taken place). If the Licensor is not careful, it may be deemed to have "abandoned" the mark, and could lose ownership rights in its property. Although this notation is not technically required by law, it may serve to identify genuine goods and discourage counterfeiting. On the other hand, this will illustrate the licensing relationship and may dilute some faith in the brand if the consumer realizes that the source of the products is not the trademark owner. Consider these factors when deciding whether or not the Licensee will be required to give notice of the licensing relationship.
- (b) Proper Notice and Acknowledgment. Notes that the trademark used must not only be in correct form, it must also give notice to the public that it is a registered trademark (and has all of the associated rights and privileges associated with that registration). The Licensee is therefore required to use the circle "R" symbol (i.e., ®) every time it uses the trademark itself.
- (c) Format and Appearance. Making sure the marks are displayed as registered is essential to the Licensor's continuing ownership in those marks. The Licensee cannot get creative and design a new version of a Licensed Mark. The mark's color, font, and spacing must remain consistent and no additions of images, slogans, or groupings can be made.

- **Section 10: Licensor's Representations and Warranties.** The Licensor's promises about the property being licensed. More specifically, the Licensor is swearing that:

10(a): it is the only person or company that has the authority to license the marks.

10(b): it has not sold or transferred the marks to any third party.

10(c): has the authority to enter the agreement.

10(d): does not believe that the marks have been taken from any third party without authorization (e.g., a knowing copy of another company's trademark).

10(e): does not know of any permissions that have to be obtained in order for the license to be granted. In other words, once the agreement is signed, the license will be effective without anyone else's input.

10(f): the marks weren't created while the creator was employed by a third party. In many cases, if an individual was employed by a company and came up with a product, the company will own that product. This section offers assurance to the Licensee that there are no companies that will make that claim about the marks being sold.

If you and the other Party want to include additional representations and warranties, you can do so here.

- **Section 11: Licensee's Representations and Warranties.** The Licensee's promises about the transaction. More specifically, the Licensee is swearing that it:

11(a): has the authority to enter the agreement.

11(b) has enough money to pay for the license.

If you and the other Party want to include additional representations and warranties, you can do so here.

- **Section 12: Documentation.**

(a) Recordation. The Licensor's promise to help with any paperwork needed to complete or record the license (e.g., filing information about the license with the USPTO). The bracketed phrases make the additional promise that the Licensor will help with paperwork for filings outside of the country. If this is not relevant to your agreement, delete the bracketed phrases.

(b) Licensee Assistance in Maintaining Licensed Marks. The Licensee's promise that it will assist the Licensor in maintaining the registrations of the Licensed Marks.

- **Section 13: Indemnification.** A description of each Party's future obligations, if the Licensed Marks are found to infringe on a third party's rights. There are two options provided, and you should choose the one that best fits with your situation. In the first, the Licensor takes all responsibility for infringement, promising to pay all expenses and costs relating to the claim. In the second, the Licensor makes its responsibilities conditional, greatly limiting its obligations if a claim is brought. Select only one of these options, and delete the other.
- **Section 14: Termination.** Explains that certain actions or events, including written notice or certain wrongful actions on the part of the Licensee, will cause the Agreement to end out of time (i.e., before the end of the term).
  - (a) Termination Procedures. Write in the amount of notice a Party must give of its intent to terminate or to notify the other of a breach. Note that there are specific actions that will automatically terminate the Agreement. These are all actions that relate specifically to the Licensee's use (or non-use) of the Licensed Marks, and this provision allows the Licensor to maintain control over (and protect the value of) that property.
  - (b) Effect of Termination. Provides that after the termination of the Agreement for any reason, the Licensee must stop using the Licensed Marks.
- **Section 15: Successors and Assigns.** States that the Parties' rights and obligations will be passed on to successor organizations (if any), or organizations to which rights and obligations have been permissibly assigned.
- **Section 16: No Implied Waiver.** Explains that even if one Party allows the other to ignore break an obligation under the Agreement, it does not mean that Party waives any future rights to require the other to fulfill those (or any other) obligations.
- **Section 17: No Agency Relationship.** Explains that the Parties are not in an agency relationship or any other relationship except for that of a licensor and a licensee. This is an important legal distinction, and is emphasized in this Agreement so that additional obligations are not imposed on the Parties by law.



- **Section 18: Notice.** Lists the addresses to which all official or legal correspondence should be delivered. Write in a mailing address for both the Licensor and the Licensee.
- **Section 19: Governing Law.** Allows the Parties to choose the state laws that will be used to interpret the document. Note that this is not a venue provision. The included language will not impact where a potential claim can be brought. Write the applicable state law in the blank provided.
- **Section 20: Counterparts / Electronic Signatures.** The title of this provision sounds complicated, but it is simple to explain. It says that even if the Parties sign the Agreement in different locations, or use electronic devices to transmit signatures (e.g., fax machines or computers), all of the separate pieces will be considered part of the same agreement. In a modern world where signing parties are often not in the same city - much less the same room - this provision ensures that business can be transacted efficiently, without sacrificing the validity of the agreement as a whole.
- **Section 21: Severability.** Protects the terms of the Agreement as a whole, even if one part is later invalidated. For example, if a state law is passed prohibiting choice-of-law clauses, it will not undo the entire agreement. Instead, only the section dealing with choice of law would be invalidated, leaving the remainder of the agreement enforceable.
- **Section 22: Entire Agreement.** The Parties' agreement that the document they're signing is "the agreement" about the issues involved. Unfortunately, the inclusion of this provision will not prevent a party from arguing that other enforceable promises exist, but it will provide you some protection from these claims.
- **Section 23: Headings.** Notes that the headings at the beginning of each section are meant to organize the document, and should not be considered operational parts of the note.
- **Schedule 1: List of Licensed Marks and/or Service Marks.** In order for a trademark license to be effective, the marks being licensed must be clearly identified. Be thorough in your description and attach any registrations or samples that you may have. If you do include samples, reference the inclusion of those samples in the schedule (e.g., "\* See attached drawing").
- **Schedule 2: Licensed Products or Services.** Allows the Parties to list the products and services of the Licensee that are permitted to bear the Licensed Marks. These should only be items of sufficient quality to maintain the integrity of the mark, and should not be products or services in a field completely different than that of the Licensor. Link each mark with each product or service that it will be on.

#### DISCLAIMER

LegalZoom is not a law firm. The information contained in the packet is general legal information and should not be construed as legal advice to be applied to any specific factual situation. The use of the materials in this packet does not create or constitute an attorney-client relationship between the user of this form and LegalZoom, its employees or any other person associated with LegalZoom. Because the law differs in each legal jurisdiction and may be interpreted or applied differently depending on your location or situation, you should not rely upon the materials provided in this packet without first consulting an attorney with respect to your specific situation.

The materials in this packet are provided "As-Is," without warranty or condition of any kind whatsoever. LegalZoom does not warrant the materials' quality, accuracy, timeliness, completeness, merchantability or fitness for use or purpose. To the maximum extent provided by law, LegalZoom, its agents and officers shall not be liable for any damages whatsoever (including compensatory, special, direct, incidental, indirect, consequential, punitive or any other damages) arising out of the use or the inability to use the materials provided in this packet.

**TRADEMARK LICENSE AGREEMENT**

This Trademark License Agreement (the “Agreement”) is made and effective as of \_\_\_\_\_, 20\_\_ (“Effective Date”) by and between \_\_\_\_\_, [an individual] [corporation] [etc.] (the “Licensor”) and \_\_\_\_\_, a \_\_\_\_\_ [corporation][limited liability company] [etc.] (the “Licensee”). The Licensor and the Licensee may be referred to individually as a “Party” or collectively as the “Parties.”

**RECITALS**

**WHEREAS**, the Licensor (i) has registered or (ii) has applied for the registration of those certain trademarks and/or service marks listed on Schedule 1 attached hereto and made a part hereof (collectively, the “Licensed Marks”)

**WHEREAS**, the Licensee is engaged in \_\_\_\_\_ [description of business] (the “Licensee Business”); and

**WHEREAS**, the Licensee wants to use the Licensed Marks [, in both block letter and stylized form,] in connection with the Licensee Business and to produce the licensed products and services listed on Schedule 2 attached hereto and made a part hereof (collectively, the “Licensed Products or Services”); and

**WHEREAS**, subject to the terms and conditions of this Agreement, the Licensor is willing to permit the Licensee to use the Licensed Marks in connection with the Licensee Business for the mutual benefit of the Parties.