



by Jim Silver and Brad D. Rose, Esq.



# INDUSTRY OUTLOOK

## PROTECTING IP RIGHTS

**R**OYALTIES editor in chief, Jim Silver, recently sat down with Brad D. Rose, Esq., of the law firm Pryor Cashman LLP. This month's question relates to trademark protection. Is it more common for a licensor or a licensee to seek protection for licensed trademarks?

**BRAD D. ROSE, ESQ.:** If a licensor has the resources to do so, it is in licensor's best interests to make sure that all trademark rights licensed under a licensing agreement are protected against third-party infringement. By keeping close watch over its intellectual property in all territories that are relevant to a brand in both the short- and long-term, a licensor will largely control its own destiny.

In addition, under most licensing scenarios, it would be ill-advised for a licensor to leave its brand-protection fate solely in the hands of a third party. Under most licenses, a licensor is required to represent and warrant that it has the sole and exclusive ownership rights of a trademark within a territory, and is required to indemnify licensees from any and all liabilities that may result on account of a breach of this representation. To the extent that a licensor will be exposed to liability to a licensee for breach of these assurances, a licensor should institute its own measures to secure and protect its trademark rights.

The simplest way for a licensor to assure itself that it owns a brand name in a particular territory is to conduct a trademark search through a legal advisor, and to file trademark applications in countries where it would be relevant for a licensor to do so. I generally advise United States-

based clients to search and file for their important trademarks within the United States as well as within those countries where licensor: (i) is currently selling product; (ii) anticipates on selling product within the next five years; (iii) is manufacturing product bearing the trademark(s); and (iv) is interested in taking prophylactic measures to prevent the possible loss of trademark rights to a trademark poacher in a particular territory. The searching and filing process is a dynamic one that must be constantly revisited as a brand grows and establishes greater footholds both within and outside of the United States, in terms of actual sales or potential for growth.

To the extent that a brand owner does not have the financial wherewithal to protect its brand from third-party infringement everywhere that it would be important to do so, a licensor may want to put into a license agreement that it has the right, but not the obligation, to pursue infringers in a territory, so long as if the licensor elects not to proceed, it will not be held in breach of the license agreement, and provided that the licensee has the ability to pursue such infringements (under licensor's supervision) and to keep unto itself any proceeds recovered from the infringer. Other options may include: (i) licensor and licensee sharing the cost of pursuing third-party infringers (and to split any monetary damage proceeds recovered); (ii) requiring licensees to pay a percentage of annual sales in a territory to licensor as an enforcement royalty to help fund at least some of licensor's enforcement costs within a territory; or (iii) totally putting the

enforcement obligation on licensee's shoulders subject to licensor's supervision.

A brand owner may also want to try to minimize its exposure to a licensee by not agreeing to indemnify a licensee from trademark infringement claims until such time as the licensed mark actually becomes registered within a territory. While a licensee will try to resist this limitation, it is possible that a compromise can be obtained wherein the licensor agrees to indemnify only in territories where it feels comfortable providing such assurances to a licensee, such as in a market where it has been cleanly selling product bearing the marks for many years without challenge by any third parties. The flipside is that licensor would not provide such assurances in those territories where it is uncomfortable in doing so, until such time as a trademark registration is obtained in a particular territory.

There is constantly a give and take between licensor and licensee in brand protection and risk-shifting strategies. The name of the game is for both licensor and licensee to make money in the most risk-free, economically controlled environment possible. Yet each situation is unique and the bargaining power and economic muscle of each side will play an important role in the outcome of these issues both at the deal-negotiation and deal-execution phases of a licensing arrangement.

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*Brad D. Rose, Esq. is the lead partner in Pryor Cashman's branding, licensing, and enforcement group. Visit [www.pryorcashman.com](http://www.pryorcashman.com).*

