BIOGRAPHY OF JAMES G. COPLIT

James G. Coplit is a partner with the law firm of Grimes & Battersby, which is based in Stamford, Connecticut. Jim is an IP lawyer with a specialization in licensing.

Jim has a B.S. degree (Mechanical Engineering) from Cornell University and a J.D. degree from the Boston University School of Law. Prior to joining Grimes & Battersby, he had been associated with two small firms in Boston and a non-profit corporation in Connecticut.

Jim has authored numerous articles in the areas of licensing and IP protection, and has presented several talks on this subjects to such diverse groups as the New Jersey Patent Law Association and Massachusetts Continuing Legal Education. He also contributes to the annual updates of several books, including the Law of Merchandise and Character Licensing, published by Clark Boardman, Multimedia and Technology Licensing Agreements, published by the West Group, and the Licensing Annual published by Aspen Law & Business.

MERCHANDISING LICENSE AGREEMENT

THIS AGREEMENT is effective as of [*Date*] by and between [*Owner Name*], a [*Owner's state of incorporation*] corporation with offices at [*Owner Address*] ("LICENSOR") and [*Licensee Name*], a [*Licensee's state of incorporation.*] corporation with offices at [*Licensee Address*] ("LICENSEE").

WITNESSETH:

WHEREAS, LICENSOR is the sole and exclusive owner of the Property or Properties identified more fully in Schedule A attached hereto (the "Property");

WHEREAS, LICENSOR is the sole and exclusive owner of the Trademark identified more fully in Schedule A attached hereto (the "Trademark");

WHEREAS, LICENSOR has the power and authority to grant to LICENSEE the right, privilege and license to use, manufacture and sell those types of products that incorporate or are otherwise based on the Property as identified in Schedule A attached hereto (the "Licensed Products") and to use the Trademark on or in association with such Licensed Products;

WHEREAS, LICENSEE has represented that it has the ability to manufacture, market and distribute the Licensed Products in the countries identified in Schedule A attached hereto (the "Territory") and to use the Trademark on or in association with the Licensed Products;

WHEREAS, LICENSEE desires to obtain from LICENSOR an exclusive license to use, manufacture, have manufactured and sell Licensed Products in the Territory and to use the Trademark on or in association with the Licensed Products; and

WHEREAS, both LICENSEE and LICENSOR are in agreement with respect to the terms and conditions upon which LICENSEE shall use, manufacture, have manufactured and sell Licensed Products and use the Trademark;

NOW, THEREFORE, in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows.

1. **License Grant**

A. LICENSOR hereby grants to LICENSEE, for the Term of this Agreement as recited in Schedule A attached hereto, the exclusive right and license to use, manufacture, have manufactured, sell, distribute and advertise the Licensed Products in the Territory. The license includes, but is not limited to, a license under any and all patents and copyrights and any applications therefore which have been filed or may be filed in the future with respect to the Property. It is understood and agreed that this license shall pertain only to the Licensed Products and does not extend to any other product or service.

B. LICENSOR hereby grants to LICENSEE for the Term of this Agreement as recited in Schedule A attached hereto, a royalty- free, exclusive license to use the Trademark on

F. "Net Sales" shall mean LICENSEE's gross sales (the gross invoice amount billed customers) of Licensed Products, less discounts and allowances actually shown on the invoice (except cash discounts not deductible in the calculation of Royalty) and, further, less any bona fide returns (net of all returns actually made or allowed as supported by credit memoranda actually issued to the customers). No other costs incurred in the manufacturing, selling, advertising, and distribution of the Licensed Products shall be deducted nor shall any deduction be allowed for any uncollectible accounts or allowances.

G. A Royalty obligation shall accrue upon the sale of the Licensed Products regardless of the time of collection by LICENSEE. For purposes of this Agreement, a Licensed Product shall be considered "sold" upon the date when such Licensed Product is billed, invoiced, shipped, or paid for, whichever event occurs first.

H. If LICENSEE sells any Licensed Products to any party affiliated with LICENSEE, or in any way directly or indirectly related to or under the common control with LICENSEE, at a price less than the regular price charged to other parties, the Royalty payable LICENSOR shall be computed on the basis of the regular price charged to other parties.

I. The receipt or acceptance by LICENSOR of any royalty statement, or the receipt or acceptance of any royalty payment made, shall not prevent LICENSOR from subsequently challenging the validity or accuracy of such statement or payment.

J. Upon expiration or termination of this Agreement, all Royalty obligations, including any unpaid portions of the Guaranteed Minimum Royalty, shall be accelerated and shall immediately become due and payable.

K. LICENSEE's obligations for the payment of a Royalty and the Minimum Royalty shall survive expiration or termination of this Agreement and will continue for so long as LICENSEE continues to manufacture, sell or otherwise market the Licensed Products.

L. All payments due hereunder shall be made in United States currency drawn on a United States bank, unless otherwise specified between the parties.

M. Late payments shall incur interest at the rate of [*Percentage*] PERCENT ([#]%) per month from the date such payments were originally due.

4. Audit

A. LICENSOR shall have the right, upon at [*number*] ([#]) days written notice and no more than once per calendar year, to inspect LICENSEE's books and records and all other documents and material in the possession of or under the control of LICENSEE with respect to the subject matter of this Agreement at the place or places where such records are normally retained by LICENSEE. LICENSOR shall have free and full access thereto for such purposes and shall be permitted to be able to make copies thereof and extracts therefrom.

B. In the event that such inspection reveals a discrepancy in the amount of Royalty owed LICENSOR from what was actually paid, LICENSEE shall pay such discrepancy, plus

B. The Licensed Products, as well as all promotional, packaging and advertising material relative thereto, shall include all appropriate legal notices as required by LICENSOR.

C. The Licensed Products shall be of a high quality which is at least equal to comparable products manufactured and marketed by LICENSEE and in conformity with a standard sample approved by LICENSOR.

D. If the quality of a class of the Licensed Products falls below such a production-run quality, as previously approved by LICENSOR, LICENSEE shall use its best efforts to restore such quality. In the event that LICENSEE has not taken appropriate steps to restore such quality within [*number*] ([#]) days after notification by LICENSOR, LICENSOR shall have the right to terminate this Agreement.

E. Prior to the commencement of manufacture and sale of the Licensed Products, LICENSEE shall submit to LICENSOR, at no cost to LICENSOR and for approval as to quality, [*number*] ([#]) sets of samples of all Licensed Products which LICENSEE intends to manufacture and sell and [*number*] ([#]) complete set of all promotional and advertising material associated therewith. Failure of LICENSOR to approve such samples within [*number*] ([#]) working days after receipt hereof will be deemed approval. If LICENSOR should disapprove any sample, it shall provide specific reasons for such disapproval. Once such samples have been approved by LICENSOR, LICENSEE shall not materially depart therefrom without LICENSOR's prior express written consent, which shall not be unreasonably withheld.

F. At least once during each calendar year, LICENSEE shall submit to LICENSOR, for approval, an additional [*number*] ([#]) sets of samples.

G. The LICENSEE agrees to permit LICENSOR or its representative to inspect the facilities where the Licensed Products are being manufactured and packaged.

7. **Notice and Payment**

A. Any notice required to be given pursuant to this Agreement shall be in writing and delivered personally to the other designated party at the above-stated address or mailed by certified or registered mail, return receipt requested or delivered by a recognized national overnight courier service.

B. Either party may change the address to which notice or payment is to be sent by written notice to the other in accordance with the provisions of this paragraph.

8. **Intellectual Property Protection**

A. LICENSOR shall seek, obtain and, during the Term of this Agreement, maintain in its own name and at its own expense, appropriate intellectual property protection for the Property and Trademark.

B. In the event that LICENSEE requests that LICENSOR obtain intellectual property protection for a particular item or in a particular country where LICENSOR had not, heretofore, obtained such protection, LICENSOR agrees to take reasonable steps to obtain such protection,

appointed for the LICENSEE or for the LICENSEE'S business and such receiver is not discharged within [*number*] ([#]) days; or

v. breaches any of the provisions of this Agreement relating to the unauthorized assertion of rights in the Property and/or the Trademark; or

vi. fails, after receipt of written notice from LICENSOR, to immediately discontinue the distribution or sale of the Licensed Products or the use of any packaging or promotional material which does not contain the requisite legal legends; or

vii. fails to make timely payment of Royalties when due two or more times during any twelve-month period.

B. Immediate Right to Terminate a Portion. LICENSOR shall have the right to immediately terminate the portion(s) of the Agreement relating to any Property and/or Licensed Product(s) and/or for any country in the Territory if LICENSEE, for any reason, fails to meet the Product Introduction Dates or the Initial Shipment Dates specified in Schedule A or, after the commencement of manufacture and sale of a particular Licensed Product in a particular country, ceases to sell commercial quantities of such Licensed Product in such country for [*number*] ([#]) consecutive Royalty Periods.

C. Right to Terminate on Notice. This Agreement may be terminated by either party upon [*number*] ([#]) days written notice to the other party in the event of a breach of a material provision of this Agreement by the other party, provided that, during the [*number*] ([#]) days period, the breaching party fails to cure such breach.

D. LICENSEE shall have the right to terminate this Agreement at any time on [*number*] ([#]) days written notice to LICENSOR. In such event, all moneys paid to LICENSOR shall be deemed non-refundable and LICENSEE's obligation to pay any guaranteed moneys, including the Guaranteed Minimum Royalty, shall be accelerated and any yet unpaid guaranteed moneys shall become immediately due and payable.

10. Post Termination Rights

A. Not less than [*number*] ([#]) days prior to the expiration of this Agreement or immediately upon termination thereof, LICENSEE shall provide LICENSOR with a complete schedule of all inventory of Licensed Products then on-hand (the "Inventory").

B. Upon expiration or termination of this Agreement, except for reason of a breach of LICENSEE's duty to comply with the quality control or legal notice Marking requirements, LICENSEE shall be entitled, for an additional period of [*number*] ([#]) months and on a non-exclusive basis, to continue to sell such Inventory. Such sales shall be made subject to all of the provisions of this Agreement and to an accounting for and the payment of a Royalty thereon. Such accounting and payment shall be due and paid within [*number*] ([#]) days after the close of the said [*number*] ([#]) month period.

received by LICENSOR under this Agreement. Further, this indemnity does not cover any modifications or changes made to the Property by LICENSEE.

14. Insurance

LICENSEE shall, throughout the Term of the Agreement, obtain and maintain at its own cost and expense from a qualified insurance company licensed to do business in [*State*], standard Product Liability Insurance naming LICENSOR as an additional named insured. Such policy shall provide protection against any and all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Licensed Products or any material used in connection therewith or any use thereof. The amount of coverage shall be as specified in Schedule A attached hereto. The policy shall provide for [*number*] ([#]) days notice to LICENSOR from the insurer by Registered or Certified Mail, return receipt requested, in the event of any modification, cancellation or termination thereof. LICENSEE agrees to furnish LICENSOR a certificate of insurance evidencing same within [*number*] ([#]) days after execution of this Agreement and, in no event, shall LICENSEE manufacture, distribute or sell the Licensed Products prior to receipt by LICENSOR of such evidence of insurance.

15. Force Majeure

It is understood and agreed that in the event of an act of the government, or war conditions, or fire, flood or labor trouble in the factory of LICENSEE or in the factory of those manufacturing parts necessary for the manufacture of the Licensed Products, which prevents the performance by LICENSEE of the provisions of this Agreement, then such nonperformance by LICENSEE shall not be considered as grounds for breach of this Agreement and such nonperformance shall be excused while the conditions herein prevail and for [*number*] ([#]) months thereafter.

16. Jurisdiction and Disputes

A. This Agreement shall be governed in accordance with the laws of the State of [*State*].

B. All disputes under this Agreement shall be resolved by the courts of the State of [*State*] including the United States District Court for the [*District*] and the parties all consent to the jurisdiction of such courts, agree to accept service of process by mail, and hereby waive any jurisdictional or venue defenses otherwise available to it.

17. Agreement Binding on Successors

The provisions of the Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, administrators, successors and assigns.

18. Waiver

No waiver by either party of any default shall be deemed as a waiver of prior or subsequent default of the same or other provisions of this Agreement.

19. Severability

If any term, clause or provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other term.

SCHEDULE A
TO MERCHANDISE LICENSE AGREEMENT
DATED [*Date*]
BETWEEN
[*Owner Name*]
AND
[*Licensee Name*]

1. Licensed Properties
The following Licensed Properties form part of this Agreement:
[*Property*]

2. Licensed Trademarks
The following Licensed Trademarks form part of this Agreement:
[*Trademarks*]

3. Licensed Products
The following Licensed Products form part of this Agreement:
[*Licensed Products*]

4. Territory
The following countries shall constitute the Territory:
[*Territory*]

5. Term
This Agreement shall commence on the date executed by both parties and shall extend for an initial Term of:

[*Initial Term*] YEARS

LICENSOR hereby grants LICENSEE [*Number of Options*] separately exercisable options (the "Options") to renew this Agreement for additional [*Option Term*] year extended Terms on the same terms and conditions provided for herein, provided:

(a) LICENSEE provides written notice of its intention to exercise this Option within [*number*] ([#]) days prior to expiration of the then in-effect Term; and

(b) LICENSEE shall have paid LICENSOR total royalty income of at least [*Option Minimum*] during the then in-effect Term.

6. Royalty Rate
LICENSEE shall pay the following royalty rate:
[*Royalty Rate*].

CHECKLIST: DRAFTING MERCHANDISING LICENSE AGREEMENTS

- Identification of Parties
  - Names
  - Addresses
- Definition of Property
- Definition of Licensed Products
  - Fragmentation issues if exclusive
- License Grant
  - Exclusive vs. nonexclusive
  - Definition of territory
  - Reservation of rights
  - Entertainment and merchandising rights
  - Sublicensing
- Term of Agreement
  - Options to renew
  - Effect of commercialization of property
- Compensation
  - Royalty income
  - Sublicensing income division
  - Royalty period defined
  - Net sales defined
  - Royalty statements
  - Advance
  - Guaranteed minimum royalty
    - -- Guaranteed vs. non-guaranteed
  - When sale occurs
  - Sales to affiliates
  - Receipt will not prevent subsequent challenge
  - Acceleration
  - Survival of termination
  - Currency
  - Interest
- Audit
  - Timing and notice
  - Underpayment
  - Record retention

- Infringements
  - Party with initial right/secondary right
  - Cooperation
  - Responsibility for payment
  - Responsibility for lead counsel
  - Division of proceeds
- Goodwill
- Indemnification
  - Product liability
  - Infringement
- Insurance
  - Product liability
  - Advertiser's
- Force Majeure
- Jurisdiction and Disputes
- Notice Provision
- Nondisclosure and Noncompete
- Termination
  - On notice in event of breach
  - By agent
- Binding on Successors
- Waiver
- Independent Contractor
- Severability
- Assignability
- Integration
- Execution and Dating by Parties

Franklin Pierce Law Center
Advanced Licensing Institute 2004

MERCHANDISING AND CHARACTER LICENSING

James G. Co
Grimes & Battersb
Norwalk, CT

Introduction to Merchandising

- "Merchandising" Defined
  - "The licensing of a recognizable trademark or copyright for use on ancillary or collateral products or services"
- The Source of Merchandising Properties:
  - Character & Entertainment
  - Sports & Collegiate
  - Celebrity & Designer
  - Corporate & Events

Introduction to Merchandising

- Total domestic licensing revenues of $5.8 billion
  - Character & Entertainment $ 2.6 billion
  - Corporate Marks & Brands $ 1.0 billion
  - Fashion $ 890 million
  - Sports $ 760 million
  - Collegiate $ 180 million
  - Art $ 160 million
  - Music $ 120 million
  - Publishing $ 45 million
  - Non-Profit $ 39 million
  - Others $ 35 million

Introduction to Merchandising

- Corporate Licensing, the fastest growing segment of the licensing industry
- Leaders:
  - Coca-Cola
  - Harley Davidson
  - Chrysler Corporation
  - M&M/Mars
  - Pillsbury

Protection of Properties

- Search Considerations
  - All-Class Merchandising Searches
  - Consider Other Established Uses
    - Yale for locks
    - Harvard for software
- Intent to Use Trademark Applications
  - Merchandising Classes, e.g. 9, 16, 25, 28
  - Protect Before You Publicize

The Merchandising Agreement

- Type
  - License vs. Assignment
  - Exclusive vs. Non-Exclusive
- Basic Terms
  - Compensation (Royalty Rates, FOB, Split)
  - Net Sales
  - Advances
  - Guaranteed vs. Non-Guaranteed Minimum
  - Royalty Periods (quarterly, yearly, monthly)
  - Term of Agreement
  - Licensed Territory

The Merchandising Agreement

- Insurance Provisions
  - Product Liability
  - Advertiser's Endorsement
- Indemnification Provisions
  - Product Liability by Licensee
  - Infringement by Licensor
- Warranties
  - Power to Enter Into Agreement
  - Non-Infringement/Best of Knowledge & Belief

The Merchandising Agreement

- Royalty Rates and Minimums
  - Domestic vs. FOB Royalty Rate
  - Split Royalty Situation
  - Minimum vs. Guarantee
- Quality Control Provisions
  - Multiple Approvals of Products/Packaging/ Advertising
  - Recourse for Failure to Comply

The Merchandising Agreement

- Licensor Wish List:
  - Retain all rights or agree upon equitable sharing
  - Get licensee to commit to a guaranteed minimum royalty
  - Get highest royalty rate and advance as possible
  - Protect against domestic sublicensing
  - Protect against FOB sales
  - Limit reps and warranties to "best of knowledge & belief"
  - Cap liability
    - Tie indemnity to reps and warranties
    - Must be final judgment
    - Cap on income received
  - Build milestones to trigger termination (i.e. Product Introduction Date, First Shipment Date or ceased sales)
  - Deal only with a reputable company

Current Royalty Rates

	Range	Median
● Entertainment/Character:	8-20%	10%
● Corporate Brands:	4-12%	7-8%
● Art	3-15%	6-8%
● Designer & Fashion	4-10%	6%
● Colleges & Events	7-9%	8%
● Professional Sports	7-12%	9-10%
● Non-Profit	4-12%	6-7%