



# Real Licensing Agreement with Real Dollars

This is it, a recent real-life licensing agreement from one of the world's top product developers. I've made the font smaller to ensure it is hard to read, as all contracts should be.

There is no single boiler plate for licensing agreements, but this short and clear example—some monsters swell to more than 100 pages—contains all of the essential elements: royalty rate, term, territory, channels of distribution (to whom or where product will be sold), minimum guarantees, performance clauses, etc.

Get a good intellectual property (IP) lawyer before crafting or signing licensing agreements. Don't be penny-wise and pound-foolish. If possible, have them edit this as a template—saving thousands—instead of drafting an agreement from scratch.

## Licensing Agreement

Below are the principal terms of a License Agreement between \_\_\_\_\_, (**The Licensee**), of \_\_\_\_\_, and \_\_\_\_\_, (**The Licensor**), of \_\_\_\_\_, the sole owners of the **Property** subjected in this agreement.

- 1) **Product Types/Application:** \_\_\_\_\_
- 2) **Property:** \_\_\_\_\_
- 3) **Brand Name:** All products to be sold under the brand name \_\_\_\_\_
- 4) **Term:** 2.5 years (30 months), from execution of contract to termination, plus the additional four (4) week period, (approximately) from contract execution, for the purpose of product development.
- 5) **Renewal Option:** Subject to both parties being satisfied, The Licensee will have the option and the first refusal to negotiate a renewal of this license to a further term.
- 6) **Territory:** \_\_\_\_\_
- 7) **Exclusivity:** Exclusive for the **Product Type**, within the **Territory** and the **Term**. i.e. no other Licensee will be allowed to produce and/or sell any product of a fundamentally similar design or nature within the **Territory** and the **Term**.
- 8) **Channels of Distribution:** Wholesalers and Retailers.
- 9) **Advances:** \$10,000 US Dollars to be paid in advance-royalties. \$5,000 US Dollars payable on September 1<sup>st</sup> 2006. A further \$5,000 US Dollars 3 months later (November 30<sup>th</sup> 2006).
- 10) **Guarantee:** A minimum royalty payment of \$20,000 US Dollars over the **Term**, including the initial **Advance**, (i.e., a minimum of \$5,000 US Dollars to be paid by the end of the first year and a further \$5,000 by the end of the Licence Termination, 31<sup>st</sup> January 2009).
- 11) **Royalty Rate:** 8% of the actual selling price to both wholesalers and retailers.

- 12) **Prices:** The product's selling prices are those upon which royalties will be paid. No special sell-off/jobbing prices are allowed, except by prior written permission from the Licensor. The Licensor must be notified of the proposed product's approximate ex-works and/or wholesale prices, which, when finalised, are those upon which royalties will be paid. These prices are itemised in a separate **Schedule**, (attached) and are approved by the Licensor.
- 13) **Accounting:** Quarterly reports/statements *must be submitted* for the periods ending:
- 31st December 2006
  - 31<sup>st</sup> March 2007
  - 30<sup>th</sup> June 2007
  - 31<sup>st</sup> December 2007
  - 31st of March 2008
  - 30th June 2008
  - 30th September 2008
  - 31<sup>st</sup> December 2008
  - 31<sup>st</sup> March 2009,
  - 30<sup>th</sup> June 2009
  - 30<sup>th</sup> September 2009 including a sixty (60) day sell-off period.
- 14) **Auditing:** The Licensor will have full access to all of The Licensee's sales and financial data in respect of Licensor's transactions and will be entitled to inspect this and their premises at any time, without prior notice but during regular business hours, either themselves or by an appointed representative auditor, entirely at Licensor's own cost.
- 15) **Sell-off:** A sell-off period of Sixty (60) days will be permitted from the termination of this agreement. Any remaining stocks after this date will be disposed of only by the permission of and in a manner agreed in writing by The Licensor.
- 16) **Approvals:** Product's must first be proposed as visuals and then physically sampled for written approval, i.e.
- a). Product Proposals: Visuals must be approved in writing before products are developed and sampled.
  - b). Samples: One physical copy of each subsequent sample product must be sent to The Licensor for approval.
  - c). Final Approval: The Licensor must then have fully and finally approved each item in writing *before any goods can go into production* or are offered for sale or shipped.
- 17) **Licensor's Samples:** Three (6) samples, archive/display sample copies of each approved product to be to The Licensor within 30 days of release.
- 18) **Licensor's Responsibilities:** The Licensor must provide The Licensee, at their request, with images and creative support for the **Products**, [described in '1). **Product Types**', above], within the first three month's of this agreement, for use in developing new products. The Licensor must also provide The Licensee, in good time, with images and graphic material to support their branding, packaging and marketing responsibilities.
- 19) **Marketing, Branding & Trade Marks:** All products to be clearly promoted and sold under the trade mark/logo above, which must be a permanent and clearly visible feature on every piece, (including an approved copyright line and trade mark), and featured in all relevant promotional media.
- In addition, full and accurate image/character/model titles must be used wherever relevant.
  - These trademarks, brands, titles and logos must never be used on, or pertain to any item other than the officially sanctioned and approved **Property** of The Licensor
- 20) **Copyrights:**
- All **Property** shall be provided exclusively for the purpose of this license by The Licensor, who will in turn bear full and legal responsibility for the Property's originality and authenticity.
  - All original **Property**, (concepts, sketches, designs, artwork and illustration, logos, etc, produced by Licensor), shall remain the exclusive copyright and property of Licensor.
- 21) **Copyright Protection:** A joint, proactive copyright protection policy will be maintained at all times. It is the responsibility of both parties to monitor the market with reasonable vigilance

and to report to each other on any possible copyright-infringing activities of the **Property Type** within their **Channels of Distribution**. Both parties will consult on any possible action, although The Licensor reserves the right to any final decisions over what, if any form of action is to be taken against any alleged infringer. In the event of any *mutually agreed joint action* being taken against any alleged copyright infringer, both parties will take an equal responsibility and an equal financial share of any expenses or settlements as a result.

Authorised and signed on behalf of \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Signed on behalf of The Licensor; \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_