



18 Phipp Street,
 London EC2A 4NU
T +44 (0)20 7256 1001
F +44 (0)20 7739 1117
www.goldengoose.uk.com

deal anatomy

main clauses

This document spells out the various common clauses in a standard licensing contract

(both parties)

Trademark registration details
 Agreed term and territory
 Agreed guaranteed minimum royalty payments and sales of products
 Licensing is not a joint venture
 Licensee has no rights to the brand or ownership thereof
 Commitment to maintaining reputation of brand
 Commitment to ethical manufacturing
 Confidentiality
 Other

rights

Licensee	Licensor
Can sell approved products under the brand name within specified categories, territories and distribution channels	Approval of all products and supporting marketing/advertising/packaging materials prior to production and sale
Can use brand on packaging and in marketing and promotional material subject to approval	Must approve/deny approval for usage of brand on packaging, marketing, and promotional material.
Access to marketing plans and style guides where available	Must approve product recall and all marketing of a product recall.
Access to other licensees	Can request and inspect accounts
<u>optional</u>	Will be sent specified number of product samples and can buy products for promotional purposes
<ul style="list-style-type: none"> Renewal clause Can pursue infringers if licensor decides not to 	Can inspect products and factory on short notice. If product / factory fails inspection: <ul style="list-style-type: none"> Force product recall Freeze sales Terminate / Other remedy
	If product not sold within a part of the territory within a specified time the licensor can offer the territory to another licensee



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obligations

Submit products, packaging and marketing material for approval prior to distribution in the designated manner

Feature a phrase such that the logo is the property of the licensor

Make products that meet the industry standard

Maintain product liability insurance to a specified value and defend any product liability claim

Pay agreed percentage royalty per item sold and report sales in the designated manner

Prepare and deliver quarterly sales reports within a set time frame after each quarter

Distribute through approved channels only

Maintain accurate accounts and keep records for a specified period of time

optional

- Commit a percentage of sales on marketing as specified

Maintain the trademark registration within the agreed categories and territories

Defend third part intellectual property infringement claims within the category

Approve products within a reasonable timeframe

Share relevant marketing information, give advance warning of changes to the logo, or new marketing plans

punitive clauses

(licensee only)

Sales by the licensor outside territory do not count against minimum guarantees

Licensee pays a higher rate of royalty on FOB sales

If an account inspection by the licensor shows a royalty deficit of agreed percentage, then the licensee pays for audit and interest on overdue royalties

Termination:

Licensee to take final stock count and licensor to have the option to buy final stock

If licensor does not exercise option, licensee shall have the right to sell stock within a specified timeframe