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## dealanatomy

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

### main clauses

#### (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

#### optional

- Renewal clause
- Can pursue infringers if licensor decides not to

Will be sent specified number of product samples and can buy products for promotional purposes

Can inspect products and factory on short notice. If product / factory fails inspection:

- 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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<b>obligations</b>	<p>Submit products, packaging and marketing material for approval prior to distribution in the designated manner</p> <p>Feature a phrase such that the logo is the property of the licensor</p> <p>Make products that meet the industry standard</p> <p>Maintain product liability insurance to a specified value and defend any product liability claim</p> <p>Pay agreed percentage royalty per item sold and report sales in the designated manner</p> <p>Prepare and deliver quarterly sales reports within a set time frame after each quarter</p> <p>Distribute through approved channels only</p> <p>Maintain accurate accounts and keep records for a specified period of time</p> <p><u>optional</u></p> <ul style="list-style-type: none"><li>Commit a percentage of sales on marketing as specified</li></ul>	<p>Maintain the trademark registration within the agreed categories and territories</p> <p>Defend third part intellectual property infringement claims within the category</p> <p>Approve products within a reasonable timeframe</p> <p>Share relevant marketing information, give advance warning of changes to the logo, or new marketing plans</p>
<b>punitive clauses</b>	<p><b>(licensee only)</b></p> <p>Sales by the licensor outside territory do not count against minimum guarantees</p> <p>Licensee pays a higher rate of royalty on FOB sales</p> <p>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</p>	<p><u>Termination:</u></p> <p>Licensee to take final stock count and licensor to have the option to buy final stock</p> <p>If licensor does not exercise option, licensee shall have the right to sell stock within a specified timeframe</p>