

# A licence for success

## A checklist to follow when engaging in trademark licensing in Romania

According to the Trademark Law, a trademark can be transferred through:

- assignment;
- licensing;
- enforcement; and
- succession.

Trademark licensing was first acknowledged in the 1998 Trademark Law; neither the preceding version (28/1967) nor the original version (879/1879) contained provisions on licensing.

The existing Trademark Law, as republished in 2010, enables a rights holder (licensor) to authorise third parties (licensees) to use its trademark in a specific territory, on an exclusive or non-exclusive basis, for all or part of the goods or services for which the trademark is registered.

According to Romanian law, a licensor may enforce its rights against a licensee which has breached a licensing agreement in respect of:

- the duration of the licence;
- the form of the trademark;
- the nature of the goods or services for which the licence has been granted;
- the territory in which the trademark may be used; or
- the quality of the goods or services for which the licence has been granted.

The above are the most likely causes of conflict between licensors and licensees; however, the list is not exhaustive.

Licensees are required by law to:

- use the licensed trademark for permitted goods and services in order to indicate that they are official manufacturers or distributors of those products or services; and
- add the term 'under licence' to the mark affixed on the licensed goods or services.

Unless otherwise provided in the licensing agreement, licensees cannot commence infringement proceedings without the rights holder's consent, except in the case of exclusive licensees, which must first notify the rights holder; on notification, if the rights holder fails to react within the time limit prescribed by the licensee, the licensee can commence proceedings.

Should a licensor commence infringement proceedings against a third party, licensees may join the proceedings if they wish to seek damages following an infringement.

Licensing agreements can be recorded with the Romanian Patent and Trademark Office (RPTO) and can be enforced against third parties following publication in the *Official Gazette*. However, Romanian law provides that failure to register a licence with the RPTO does not affect:

- the validity of the licensed trademark;
- the possibility to intervene and claim damages in infringement proceedings commenced against third parties by the licensor; or
- evidence of genuine use presented by the rights holder in proceedings related to trademark validity or cancellation proceedings.

### Registration

Registration of a trademark licence with the RPTO usually takes between three and six months to be published and is subject to an official fee of €90 per trademark.

There are no special filing requirements for registering a trademark licence with the RPTO, except for an executed original of the licensing agreement and power of attorney. Neither of these documents requires notarisation.

Practitioners are advised to file only

a licence form with the RPTO (usually an annex to a more comprehensive licensing agreement) in order to maintain confidentiality on the terms and conditions of the agreement.

### Checklist

In addition to clauses regarding the duration of the licence, trademarks, royalties, specification of the goods and services for which the licence is granted and territory, the following questions should be posed when executing a licensing agreement:

- Is the licence exclusive or non-exclusive?
- Is the licence total or partial?
- Will the licensor still be able to compete in the licensed territory?
- Will the licensee be allowed to sub-license the mark?
- Will the licensee be able to file for an identical trademark in the licensed territory?
- Will the licensor be liable for any trademark infringement proceeding against the licensee?
- Will the licensee be able to act against third parties for trademark infringements?
- Will the licensee be required to use the licensed trademark genuinely in the territory throughout the entire duration of the agreement?
- Will the licensor be responsible for ensuring that the mark is renewed on time?
- What happens in the event of termination of the licensing agreement?
- What happens in the event of insolvency or bankruptcy?

### Competition law

Trademark practitioners should be careful when applying restrictions of competition related to the purchase, sale and resale of

goods and services, which could fall under the prohibitions laid down in Article 5(1) of the Competition Law and Article 101(1) of the Treaty on the Functioning of the European Union.

Romanian competition legislation prohibits anti-competitive agreements and practices and abuse of dominant position. It is fully harmonised with EU competition legislation.

Vertical agreements containing restrictions of competition could be exempted from the above-mentioned prohibition by way of:

- block exemption (under the EU Block Exemption Regulation (330/2010) and the EU guidelines on vertical restraints); or
- individual exemption (under Article 5(2) of the Competition Law and Article 101(3) of the Treaty on the Functioning of the European Union).

This is subject to the fulfilment of the conditions laid down in national and EU competition law (national rules are similar to those provided for in EU competition legislation).

Several other competition issues related to licensing should be taken into consideration when executing a licensing agreement:

- If the agreement restricts licensees in respect of reselling goods in the licensed territory, this could be considered a hard-core restriction which relates to market partitioning by territory or customer group. Any combination of exclusive and selective distribution systems could lead to such clauses being qualified as a hard-core restriction.
- The agreement should specifically define 'active' and 'passive' sales and not implement restrictions on online sales, even if this means allowing licensees to sell outside the licensed territory. In principle, according to the Competition Law, each distributor should be permitted to sell products online. Generally, online selling is considered a form of passive sale and a reasonable channel by which customers can reach a distributor. Under the block exemption rules, a supplier may enforce quality standards on a website which is being used to resell its goods, just as a supplier may impose quality standards on traditional retail outlets, catalogue selling or advertising and promotion in general. However, there is no exception provided in the Block Exemption Regulation or in the EU guidelines on



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vertical restraints which allows licensors to prohibit licensees from selling online.

- Non-compete obligations fall outside the scope of Article 101(1) of the Treaty on the Functioning of the European Union. Where such obligations are necessary in order to maintain common identity and uphold the rights holder's reputation, the duration of the obligation is irrelevant under Article 101(1), provided that it does not exceed the length of the agreement itself. If these conditions are not met, the duration of the non-compete clause should not exceed five years in any case (the maximum period of a non-compete clause also depends on the market share threshold; this is without prejudice to the parties' right to agree expressly to renew such a clause).
- Post-term non-compete and non-solicitation obligations are normally not covered by the Block Exemption Regulation, unless and only where the following conditions are cumulatively met:
  - The obligation relates to goods or services which compete with the licensed goods and services;
  - The obligation is limited to the premises and territory from which the licensee operated throughout the duration of the licensing agreement;
  - The obligation is indispensable to protect know-how transferred by the licensor to the licensee; and
  - The duration of the obligation is limited to a period of one year after termination of the licensing agreement.
- Restrictions on active sales must relate to such sales in the licensed territory or to customers exclusively allocated to other distributors or reserved by the licensor for itself.
- Fixing other trading conditions constitutes a restriction of competition by object, which cannot benefit from block exemption. The parties must prove that the conditions for an individual exemption have been met (under Article 101(3) of the Treaty on the Functioning of the European Union). If an application is made under the benefit of the Block Exemption Regulation, the licensing agreement and the parties' market power will be examined and compared with the market share threshold provided for in the regulation. [WTR](#)