

Licence to bill

Finnish games producer Rovio is a prime example of successful licensing with its Angry Birds, using some unorthodox methods along the way

Reaping the benefits of investments made in a brand derives in large part from the efforts made by the brand owner to stop others from using that brand without consent. This is achieved by both registering the relevant trademarks and enforcing one's rights against others seeking to use identical or similar trademarks. Mark owners need not, however, content themselves with waiting for the day when registration and enforcement start paying off. Exploiting a brand's value can also be achieved through licensing.

Licensing strategies that involve rapid brand extension through use of a mark on products supplied by partners can be a very effective way of taking advantage of the value enjoyed by a successful brand and its trademark protection. Licensing can also help to expand the geographical reach of a brand much faster than the rights holder could achieve on its own, especially if the mark owner is a small company with limited resources and production capabilities. Extensive licensing is particularly useful in the entertainment industry, for example, where a film or television show can become popular quickly. Such success will call for the production of various types of merchandise based on the characters or other distinctive elements of the concept. The further away the brand owner's core business lies from the production of fan products and merchandise, the more reason there is to consider licensing the brand. A good example of successful licensing is the Angry Birds franchise by Finnish company Rovio Entertainment, which is considered in more detail below.

In addition to strategic issues, brand owners seeking additional revenue from their brands through licensing must take various statutory and legal issues into

account. These may vary greatly from one jurisdiction to another. The main issues in this regard under Finnish law relate to the licensee's ability to enforce the licence against third parties.

Legal framework

The limitations and requirements imposed on licensing agreements vary from country to country. In Finland, no specific statute governs trademark licence agreements, which means that freedom of contract largely applies. When dealing with exclusive licences in particular, however, competition law issues may arise. This broad topic is not further considered in this article.

The enforceability of a licensed trademark against third parties is typically covered in a licence agreement. This is, however, also subject to certain limitations under Finnish trademark law. For a right to a licensed trademark to be enforceable against infringing third parties, certain conditions must be met. The licensee must have an exclusive right to the trademark under the licence. This does not, however, exclude the licensor from retaining a parallel right to use the mark in the same area. An exclusive licensee also has a statutory duty to inform the trademark owner of any actions that it intends to take against third parties. Failure to comply with this requirement would result in the direct dismissal of any such infringement actions.

In addition, the licence must be recorded in the Trademark Register in order to be enforceable against infringing third parties. A typical concern that this filing requirement raises is that trademark licences are often part of a broader agreement containing highly confidential information that the parties do not wish to disclose to the Trademark Office. For this reason, the office accepts certified copies of

a summary containing the relevant clauses of the agreement.

In some cases the Trademark Office may decline to enter the licence agreement in the Trademark Register if it considers that use of the trademark under the licence at issue would clearly be liable to mislead the public. While this provision is rarely used, it could in some instances be applied – for example, in situations where the trademark has a clear connection to a specific country and is licensed to a foreign company. Consumer protection law may also apply in such cases if the trademark could be considered misleading when used by the licensee. If there is any reason to suspect that the Trademark Office may raise these objections, the parties should take into account the effects of a potential refusal when drafting the licence agreement – in particular, its severability clauses.

Angry Birds take flight

Many readers will be familiar with Rovio – if not as a company, then at least through its primary franchise, Angry Birds. For those who have not yet come across it, the company's success story can be summarised as follows: Rovio is a Finnish video game developer founded in 2003. It hit the headlines after releasing its hugely popular Angry Birds slingshot-puzzle game in 2009. The game was originally released as an iPhone app, but has since been made available for a multitude of platforms. Angry Birds has been downloaded over 1 billion times and is the all-time best-selling game in the Apple App Store.

Following the success of the Angry Birds game, Rovio rapidly expanded its presence to fields beyond video games. The recognisable Angry Birds figures can now be found on all sorts of merchandise such as toys, soft drinks and various accessories.

They also appear in theme parks and playgrounds. A strong contributor to this rapid growth has been a licensing strategy that has enabled Rovio to expand rapidly the presence of Angry Birds outside the video game scene (thus turning it into a global entertainment phenomenon), and to transform the company into something more than a games company.

The Angry Birds licences – with hundreds of partners – generate a significant part of Rovio's revenues in addition to sales of the game itself. This shows that utilising the value of a successful brand through licensed brand extension is essential in a highly competitive and quickly evolving field such as games apps, where the game on its own may not otherwise be that long-lived. Rovio has now set an example of how a games company can take advantage of its most successful releases through licensing to generate significant amounts of additional revenue from its IP rights. Rovio's licensing strategy and programme have received several awards that recognise their success.

Better the devil you know

Wherever there is a successful brand, a fake will soon appear. With its brand visibility spreading rapidly, Rovio soon joined the club of brand owners having to deal with counterfeit merchandise in large volumes. In a few cases, Rovio was able to size up the manufacturer of the fake goods, become convinced of its ability to produce high-quality products despite doing so without authorisation, and turn a potential infringer into a partner.

The media, watching every step of such a shooting star, seemed to have interpreted the handful of such Cinderella-like counterfeiter-turned-licensee stories as an indication of a full-blown strategy (and a weakness), even though Rovio does not look upon infringers any more favourably than other brand owners do.

Nevertheless, the idea of such a policy is intriguing and for some brand owners it could indeed prove to be a workable option to view even potential infringements as business opportunities in the form of licence revenue. If a licence arrangement with a particular manufacturer is feasible, all circumstances considered, it may well be more profitable than initiating an expensive and time-consuming infringement action whose outcome is uncertain (ie, damages may or may not be awarded).

Where the manufacturer can produce certain goods of a high level of quality and its only weakness is its initial ignorance of



Tarja Tchernych

Partner

tarja.tchernych@berggren.fi

Tarja Tchernych is an IP lawyer, a partner and a team manager at Berggren Oy Ab. She specialises in IP matters related to patents, trademarks and copyright, IP licensing, employment inventions including corporate guidelines, trade secrets and data protection, advertising and marketing law, agreements and litigation. She has worked in the Berggren group since 2008.



Paula Sailas

Partner

paula.sailas@berggren.fi

Paula Sailas is an IP lawyer, a European trademark attorney and a partner at Berggren Oy Ab. Her areas of expertise are trademarks, copyright and counterfeits, agreements and litigation. She has worked in the Berggren group since 2002.

IP rights, why look further? Such manufacturer may have spotted new business opportunities before the brand owner, since heavily copied types of product may indicate high revenue potential. However, once they come under scrutiny and licensing negotiations are underway, licensee candidates spotted in unorthodox ways must be subject to the same requirements as licensees sought more traditionally. After all, just as the proverbial chain is only as strong as its weakest link, licensed products may just as well break as make a brand's image. [WTR](#)