

A route to better business relationships

Those considering licensing in Poland should acquaint themselves with the country's specificities – in particular, the issues surrounding rights assignment and termination

Licence agreements play an important role in business by promoting the protection of intellectual and industrial property and allowing third parties to use intangible assets. They also help to resolve potential conflicts arising from use of a trademark between its rightful owner and a third party.

Under Polish law, a licence agreement must be written to be valid. The parties themselves can determine the contents, scope, rights, obligations and limitations arising from the agreement, as long as they do not exceed the so-called 'freedom of agreements'. Therefore, licence agreements can vary substantially. The most common types of licence for trademarks are exclusive, non-exclusive, full or partial.

Licence types

In terms of the extent of rights given to the licensee, the broadest is a full licence for using a trademark, whereby the licence holder is guaranteed the rights to use the mark to the same extent as the owner. If the parties have somehow limited the scope of use of the mark by the licensee, the licence is partial or limited. The limitation will usually concern the manner in which the mark can be used by the licensee, or the goods or services covered by the mark, only a part of which can be used by the licence holder. However, taking into account the fact that exclusive rights have a territorial character, a limitation may also concern the territory in which the mark can be used by a third party. Thus, the parties can agree that a licence is granted for using the mark locally, regionally or in some specific territory that is narrower than that guaranteed by the trademark registration. A good example of territorial limitations are licences for Community trademarks, where the parties can choose whether the mark will be used in one or several EU member states.

A licence agreement can also provide that a licensee is granted exclusive use of the mark. This means that the licensor not only undertakes not to grant any other licences for the same mark, but also resigns its own rights to use the mark at issue. Provided that the licence is entered into the Trademark Register, the holder of such an exclusive licence has the same rights to initiate proceedings against trademark infringers as the mark owner, unless the licence agreement provides otherwise.

By contrast, if the licence agreement does not stipulate that a party is granted exclusive use of the mark, such licence does not prevent the rights holder from issuing licences to other parties and using the mark itself. Such a licence is non-exclusive.

The scope of rights given to a licensee depends on the trademark owner. A licence can give the licensee the right to sub-licence the mark or to authorise a third party to use the mark within the scope provided by the licence. However, the licensee's right to grant sub-licences must be clearly stipulated in the licence agreement. If a sub-licence agreement is concluded, the licensee can authorise the sub-licensee to use the mark either:

- to the same extent as it itself was authorised by trademark owner; or
- in a narrower or limited scope.

Further sub-licensing is barred.

Duration

Contrary to patents, industrial designs or utility models, whose maximum duration of protection is clearly determined by law, trademark protection can last longer than the initial statutory 10 years. There is no limit to the number of times that a trademark registration can be renewed (each time for 10 years), on condition that

the owner timely files the renewal request and pays the renewal fee. If the term of a licence is not specified in the agreement, it is considered that it has been signed for an unlimited period of time. If an agreement is made for an unlimited period of time, the parties usually specify the terms of its termination. An agreement can typically be terminated at any time by mutual consent of the parties or, if only one of the parties requests termination, it must observe a termination notice (usually a few months).

Immediate termination

Occasionally, trademark owners may retain the right to terminate a licence agreement with immediate effect. This usually occurs if the trademark holder finds that the quality of the goods made by the licensee has deteriorated and is not equal to the quality of the goods made by the owner itself under the same mark. The right to terminate a licence with immediate effect is usually retained by owners of famous trademarks which acquired a reputation on the market before concluding the agreement, and the quality of whose products is highly appreciated. Thus, to protect the trademark and the quality of the trademarked goods, the licensor must retain the opportunity to terminate the agreement immediately should the licensee be found to be damaging the trademark's reputation. The owners of trademarks with a reputation may also demand that a licence agreement guarantee them the right to control the quality of the goods made by the licensee at any time, on request. If the licensee does not meet an obligation to enable the licensor to check the quality of the goods under the licensed trademark, or if the goods do not meet the expected quality standards, the licensor may reserve the right to terminate the agreement with immediate effect.

A licence agreement can be interrupted if the licensed mark is cancelled or its registration lapses. A trademark can be cancelled due to:

- the existence of a prior similar or identical mark;
- infringement of another mark – including similarity or identity with a well-known mark; and
- registration in bad faith.

Third parties must apply for cancellation within certain time limits. However, there is no time limit if the mark was obtained in bad faith. In addition, if the use of the mark has been tolerated for five consecutive years from the application date, it is no longer possible to request its cancellation – unless the registration was obtained in bad faith.

A licence agreement can also be terminated if the mark registration has lapsed. Registration can lapse if its holder fails to pay the renewal fee or renounces its rights in part or in total. A licence agreement shall lapse at the latest on the date on which the trademark registration lapses, regardless of the cause for its lapsing. A licence agreement cannot last longer than the trademark registration for which it was granted. Similarly, a sub-licence cannot last longer than the original licence. Therefore, a sub-licence agreement will lapse at the latest on the date on which the base licence agreement lapses.

Payment and transfer issues

Both licences and sub-licences can be granted upon payment or free of charge (although this is rare). Payment for granting a licence and the manner of paying the licence fees must be clearly stipulated in the licence agreement.

Pursuant to the relevant regulations, if a trademark registration is transferred to another party, any licence agreement will still be binding upon the licensor's legal successors. This means that the licensee can use the licensed trademark in the same way as it did previously.

By contrast, if the licensee is taken over by another company, there is some controversy as to whether the rights and obligations can be transferred freely to the buyer. Since a licence agreement is based on mutual trust between two particular undertakings, for the sake of building good business relations and mutual trust, the licensor would be advised to contact the buyer and confirm the terms of the licence.

In short, a licensor's consent for continuing a licence by a new undertaking



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is required. This is intended to protect the licensor's interest, as the licensor should monitor any use made of its mark. Therefore, it is natural and justified for the licensor to protect its trademark against losing its value, so that the mark is still associated by consumers with the goodwill attached to the mark. Consequently, it is fair that the licensor must give its consent to the transfer of a licence by the licensee to a third party in order to ensure that the mark is placed in good hands and is not taken over by competition.

Infringement

The licensor can raise infringement claims against the licensee if the provisions governing any of the following aspects are breached:

- duration of the agreement;
- territorial reach;
- form of the licensed mark;
- goods or services for which the licence was granted; or
- quality of the goods or services produced or delivered under the licensed mark.

This also applies to a sub-licence.

Applicable law

If one of the parties to a licence agreement is a foreign entity, the parties can choose the law of the country under which the agreement shall be governed. However,

under international private law, the grant, contents and termination of IP rights are subject to the laws of the country where the right is used. The same law shall be applicable in respect of the issues concerning trademark use, as well as determining the priority of rights. If the parties fail to determine whether the law of the licensor's or the licensee's country applies, the licensor's permanent or ordinary place of residence will decide which law is applicable, unless particular circumstances imply that the agreement is more strictly connected with the laws of another country. Then, the laws that shall govern the agreement shall be those of the country with which the agreement has the strictest connections.

Summary

Licence agreements play an important role in business. The licensee, although not the rights holder, can use the mark to the same extent as the owner, especially if the licence is full and exclusive. [WTR](#)