Insights: Perspectives

5 Key Takeaways | Licensing in a Crisis

December 1, 2020

KILPATRICK TOWNSEND

5 KEY TAKEAWAYS
Licensing in a Crisis

On November 17, 2020, Marc Lieberstein, one of Kilpatrick Townsend's brand licensing and franchise partners, and Co-Chair of the Firm's Retail Consumer Good Industry Team, moderated a brand licensing program for the first ever virtual INTA Annual Meeting to provide legal and business perspectives about the brand licensor-licensee relationship during and after the current COVID 19 crisis. The distinguished panel was comprised of **Adina Avery-**Grossman and **Louis Drogin**, **Esq.,** both partners of **Brandgenuity**, a global licensing agency, and **Joseph Conklin, Esq.,** SVP & Global Deputy General Counsel of **Coty Inc.** Please visit ***INTA Daily News*** for more information about the program.

Here are some key takeaways from that program:

1

The brand license relationship. The COVID 19 crisis has brought out the best in licensors and licenses. There is more communication, more coordination and more cooperation than ever among licensors and licensee to work together for the benefit of the brand and the relationship. Instead of license terminations or invoking force majeure, the license parties are revising business terms to get through the crisis, and take many of the following steps: modify/lower royalty rates; extend minimums out 6 months to a year beyond the existing term; extend payment obligations out a year; broaden or change the scope of licensed products; allow licensees to secure new sources for licensed products; shifting of required product launches into later periods; expand trade channels; expand geographic markets; or even suspend the license to resume in 6 months to a year.

2

The brand license terms. Coming out of the pandemic, licensing will see much greater scrutiny and negotiation activity around the so-called "boilerplate" provisions, like force majeure; choice of law provisions; frustration or purpose and/or impossibility of performance standards; insurance; letter of credit; jurisdiction for disputes; and limitation caps on damages. Indeed, at least for global license arrangement, it is expected that parties will likely utilize arbitration more often to avoid court litigation, not only for the expedited and more cost effective manner in which arbitration can be arranged and agreed upon to proceed, but also because using this alternative dispute mechanism keeps the dispute private.

3

Brand license opportunities in this time of crisis. While there are certainly licensed product and services categories that are not doing well during the pandemic, e.g., restaurants, travel, apparel and luxury, there are many categories that are not only doing well, but growing. For example, prepared foods and meal kits; electronics like games, toys, video, AR, VR; all kinds of paper goods; leisure and athletic clothing; cleaning products for the home and personal care; medical products for health and well-being; all kinds of home products and home related services; and all kinds pet related products. And even if your licensing category is not doing well now, licensing parties are gearing up for 2021 and beyond, as the marketplace looks ripe for a rebound in light of the vaccine news that recently came out.

Legal considerations for brands who want to pivot and/or expand their licensing programs. Licensing parties are likely to see more specificity and breakdown of the licensed categories and sub-categories. Before brand owners modify their licensed categories, or decide to switch into a different category or even a sub-category, they need to consider a few legal matters: (1) have you cleared the trademark for use/registered the trademark in connection with the new category/sub-category or in the new territory? For example, products that may have been previously classified in Class 3 for cosmetics or cleaning products may no longer be qualify, and are now considered more properly Class 5 for medical/pharmaceutical products. Indeed, while surgical masks were never considered apparel before, clear face coverings of all kinds are being designed and worn as apparel; and (2) do you have any other license arrangements or terms in other agreements that my restrict your ability to pivot to a new product or a sub-category? Brand owners and licensees should carefully review their existing license agreements, take inventory of their current trademark rights, and conduct thorough due diligence before carrying out any modifications to an existing license agreement.

4

5

Business considerations for brands that want to pivot and/or expand their licensing programs. Aside from the legal considerations, brands should think strategically before pivoting to a new product or sub-categories, or to new trade channels or territories. Does the brand fit with the contemplated new category? Are consumers likely to purchase the new product simply because it is branded with your trademark, despite how famous your trademark may be? Is the pivot to the new product a short term initiative or a long term plan? Does the marketplace really need the new product or is there enough competition already present and your product is not distinguishable?

For more information, please contact:
Marc Lieberstein mlieberstein@kilpatricktownsend.com

www.kilpatricktownsend.com