

HOW A DISTRIBUTOR CAN USE A TRADEMARK TO PROMOTE PRODUCTS

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IP – TRADEMARKS – LICENSES – DISTRIBUTION AGREEMENTS

1. Purpose of the Panel

To discuss the control of intellectual property, specifically focusing on trademark license clauses in distribution contracts.

2. Aim of the Panel

To explore how these clauses allow distributors to use TMs for promoting products and the legal implications in different jurisdictions.

IP – TRADEMARKS – LICENSES – DISTRIBUTION AGREEMENTS

Where in the world:

- Can a distributor just use a TM to promote products?
- Is a trademark license required or recommended in a distribution agreement to protect the rights of the trademark owner?

Purpose of a TM license in a distribution agreement

- Control and Protection: the brand owner controls how the TM is used, ensuring that the brand's reputation and value are maintained.
- Quality Assurance: Includes quality control provisions to ensure the distributor maintains standards associated with the TM.
- Legal Compliance: Ensures use of the TM complies with local laws and regulations, which may require registration and adherence to specific legal standards.

Purpose of a TM license in a distribution agreement

- Revenue Generation: Clause can include royalty provisions, allowing the brand owner to generate revenue from the use of the TM.
- Territorial and Scope Limitations: Defines geographical and product-specific limitations of the license, preventing unauthorized use outside the agreed terms.

Sample Clause:

"Licensor hereby grants to Licensee a non-exclusive, non-transferable license to use the Licensed Trademarks solely in connection with the marketing, distribution, and sale of the Licensed Products within the Territory, subject to the terms and conditions of this Agreement."

Analysis of the Law in the USA

TM Licenses in Distribution Agreements in the USA:

TM licenses are common to control the proper use of the TM.

Legal requirements include quality control provisions to maintain the TM's integrity and rights (good will).

Trademark Exhaustion (First Sale Doctrine):

Subsequent sales of *products* permitted, but unfair competition, dilution, and other legal theories protect trademark rights from misuse.

Key Legal Considerations:

Specific clauses govern scope and prevent unauthorized use to ensure compliance with TM laws (good will, quality control) or risk loss of rights.

Analysis of the Law in the European Union and BeNeLux

EU TMs versus National (EU Member State) TMs

The Principle of Exhaustion

TM Licensing in the BeNeLux:

TM licenses are governed by Benelux Convention on Intellectual Property and Dutch contract law.

Key Legal Considerations:

Importance of defining the scope of the license, including territorial and use limitations/specifications. Registration is not required, but can enhance legal certainty and ensure enforceability against third parties.

Analysis of the Law in the Middle East

IF REQUIRED: TM licensing agreements must comply with local laws, including registration requirements and specific provisions under intellectual property laws.

TM exhaustion rules do apply but:

- not well known or understood;

- common for a separate TM license agreement to be signed or at a minimum TM license clauses are in the distribution agreement.

For each country in Middle East, any separate TM license agreement should be registered to be enforceable against third parties. Note: It's still an enforceable contract between the parties.

Thank you!

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