ANNOTATED LICENSING AGREEMENT CHECKLIST

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Yep, this is a BIG LEGAL DISCLAIMER, so please read it carefully!

This Licensing Agreement Checklist is provided for the purposes of giving you an idea of what elements need to be included in a licensing agreement. This Checklist is NOT LEGAL ADVICE nor is it necessarily an all-inclusive list of what should be in your agreement.

This Checklist is a list of information you should consider including in your agreement. Where helpful and applicable, sample language is provided in orange type. This is SAMPLE language (*not* to be considered *suggested* language) and therefore may not be appropriate for your situation. This SAMPLE language should not be used as-is without consideration and/or modification based on your specific situation.

Depending on your particular situation, and the state laws that apply, you may need more, less or just different information covered by the agreement. Please use this as a way to guide your conversations and negotiations. Use the Checklist to generate a list of expectations, duties and responsibilities that cover your particular licensing situation.

Before drafting or signing any agreement, you are strongly urged to find legal representation to ensure that your specific interests are represented and protected.

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In this document, you will find a description of common categories of contract terms found in Licensing Agreements. Each of these categories has a brief explanation and some sample language. This is to give you an idea of what the contract language can look like and how the concepts are used in context. If you have any questions about the content or your particular situation, please contact legal counsel.

1. **Parties to the Agreement**. Clearly list the names of the Parties and their respective Contact Information. Artist is generally the Licensor (the party granting the license) and the party wanting to use the Artist’s work on products is the Licensee (the party receiving the license).
2. **Date of Agreement**. This can be the effective date or the date that the Agreement is signed. Be sure to specify which so that it is clear when the contract is effective and/or when the obligations will kick in.
3. **“WHEREAS”** provisions setting the scene, or telling the story behind your agreement. This can be done with the more formal/legal “Whereas” format or in a more casual format. This is the section that establishes the foundation for the agreement.

WHEREAS, Licensee wishes to use artwork managed by Artist (the “Artwork”); and

WHEREAS, Artist agrees to license to Licensee the RIGHTS [exclusive or non-exclusive] to use the Artwork pursuant to the terms set forth in this Agreement.

The Parties here by agree:

1. **Subject Artwork**. Describe the Artwork covered or attach an Exhibit to the Agreement that includes a full description of the Artwork subject to the Agreement. If it is anticipated that there will be multiple Artworks over time, an Exhibit that can be added to without revising the body of the Agreement is usually the best choice.

 The Artwork covered by this Agreement is specifically described in Schedule A attached hereto.

1. **Scope of the License**. In other words, what can the Licensee use the Artwork for and, if necessary, what is prohibited.

Licensee may use the Artwork anywhere in the world for the purpose of developing, producing, selling and distributing \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the “Products”). Licensee may not share the Artwork with anyone not employed by Licensee without Artist’s express written permission. Any use not expressly listed herein is prohibited without written permission from Artist. Nothing in this Agreement shall be construed to prevent Artist from granting other licenses for the use of the designs or from using the designs in any manner especially for other, non-similar products.

1. **Term of Agreement and Termination**. This section sets out how long the Agreement is for and what the rules are for terminating early.

The license to use the Artwork is for \_\_\_\_ year(s) so long as Licensee abides by the terms of this Agreement. Any renewal of this Agreement must be negotiated and separately agreed to in writing. Any future use of the Artwork for purposes other than those stated in this Agreement above must be separately approved by Artist. Failure to adhere to the terms of this Agreement including but not limited to using the Artwork in a manner not specifically permitted by this Agreement, is grounds for immediate termination of this Agreement. Upon termination of this Agreement, Licensee will immediately return all copies of the Artwork in any format to Artist.

1. **Payment.** The amount of compensation paid for the License should be clearly established in the Agreement. The compensation could be a flat fee paid at one time or in multiple payments. More likely, the payment will take the form of a Royalty that will be calculated on some form of the Wholesale and/or Retails prices charged for the Product. The percentage can be calculated from the GROSS amount, which is the Wholesale or Retail price without any deductions. Or, the percentage can be calculate from a NET amount which will be the Wholesale or Retail price minus some expenses which should be clearly defined in the Agreement. Generally, if the Royalty is based on Gross, it will be a smaller percentage than if it is calculated on a Net number. This is to take into account the expenses absorbed by the Licensee. This is definitely one of the most crucial elements of a licensing agreement and should be drafted and/or reviewed very carefully!

Licensee will pay Artist % of the net wholesale proceeds for all Products sold for wholesale and \_\_\_\_% of the net retail price for all Products sold at retail. Net Sales are total actual gross sales receipts minus actual, veritable taxes, fees (such as credit card processing fees), shipping, third party commissions and/or discounts, and any returns.

1. **Payment Schedule**. This section will set out when Royalties accrue and when they will be paid to Artist.

For example: Royalties shall accrue upon the sale, shipment or invoicing of the Products, whichever shall occur first. Royalties shall be paid on the 15th day following the end of each calendar quarter.

This provision can be modified however it makes sense for the situation. Important considerations are how easy this provision is to administer from either side’s perspective. It is important to keep in mind that artists generally do not have the resources or the interest in engaging in onerous collections processes so the simpler and more transparent, the better.

1. **Accounting**. An Accounting provision will establish the type of information Licensee will provide to Artist backing up the sales and Royalty reports. This provision may also provide the Artist with rights to look at Licensee’s books, but only as reasonable and generally at Artist’s expense unless a sizable error on the part of Licensee is discovered.

Whether or not any sales occur within any given quarter, Licensee shall provide to Artist a statement showing, as appropriate, a complete inventory of all Products sold during the preceding quarter. All Product sales information for sold items will include type of design, quantity, and price.

Upon 30 days written notice, Artist shall have the right to access Licensee’s books and records for the purpose of reviewing the calculation of royalty payments. In the event that Artist discovers discrepancies of amounts greater than 5% between the royalty amounts paid and the actual royalties due, Licensee shall immediately pay the discrepancy plus any interest due pursuant to paragraph 4 above. In the amount that the discrepancies show an underpayment of 10% or more, Licensee shall immediately pay the discrepancy plus any interest due pursuant to paragraph 4 and shall also reimburse Artist for all costs and fees associated with the audit and the failure to properly calculate the royalties.

1. **Intellectual Property Ownership.** Best practices dictate that the Artist retain copyright for the Artwork. There is generally no good reason for copyrights to be transferred . . . this is, after all a *Licensing* Agreement.

 All copyright, trademark, patent, and/or trade secret rights to the Artwork belong to Artist who has licensed these rights to Licensee for the purpose of merchandising the Artwork. No intellectual property interests are transferred by this Agreement. This Agreement is for the sole purpose of providing a limited license as set forth in this Agreement.

1. **Protection of Intellectual Property.** The Licensee is in the best position to police and protect the underlying intellectual property from third party infringers (ie. pirates). Artist should be informed immediately if any infringement occurs and Artist may wish to work with Licensee to follow up on the enforcement of Artist’s intellectual property rights.

 Licensee will take all steps necessary to ensure that Artist’s intellectual property is protected. If Licensee becomes aware of any infringement or possible infringement, including but not limited to unauthorized use of the Artwork, Licensee will immediately notify Artist. Artist retains the sole and exclusive authority to pursue any and all instances of infringement.

1. **Intellectual Property Notices.** All products should have the proper notices on the product when possible, but certainly on any packaging. The notices should properly indicate that it is the Artist who owns the intellectual property. The Licensee can certainly brand the products, but the underlying rights must be credited to the Artist.

 **Copyright.** All products produced pursuant to this Agreement shall include a copyright notice as follows:

 “© [year] ARTIST. All Rights Reserved.”

**Trademark**. All products produced pursuant to this Agreement, using the name “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,” will include a statement on the product or on the packaging to the effect:

“\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a [registered] trademark of ”

1. **Name and Likeness.** The Artist may or may not want to be associated with the products being produced. The Licensee may or may not want to include the Artist in the marketing of the products. These issues, including the use of Artist’s name and likeness in conjunction with the marketing of the products should be discussed, delineated in the contract, and revisited as often as makes sense to maintain a good working relationship.

 In addition to the Artwork licensed by this Agreement, Licensee may use Artist’s name as well as Artist’s likeness and biographical information provided to Licensee by Artist, for the purpose of creating and marketing the Products. The use of any information or likeness other than that material specifically provided by Artist must be approved in writing by Artist prior to being used for any purpose.

1. **Approval of Products and Presentation.** Since the quality of the products ultimately reflects on both the Licensee and Artist, the Artist is justifiably interested in the quality of the product. The Artist may require that samples are produced and approved prior to mass production taking place. The Artist may also have other representatives, such as galleries or managers, who want to weigh in on the quality of the products. Some Artists care more than others, but this is an important step in the production process to ensure that the Artist is not disappointed with the outcome and reluctant to continue or extend the licensing arrangements.

 **Quality**. Licensee agrees that the Products shall be of the highest standard and quality and of such style and appearance as to be marketed in the best manner possible. The Products shall be manufactured, sold and distributed in accordance with all applicable national and international, state and local laws.

 **Approvals**. In order to assure that the development, manufacture, appearance, quality and distribution of each Product is consistent with Artist’s wishes, and in order to protect Artist’s intellectual property and good will, Artist, or if Artist is unavailable, Artist’s agent, shall have the right to approve in advance the quality of the Products (including but not limited to, concepts, preliminary prototypes, mechanical renderings, and camera ready art) prior to production of first samples and revised production samples (if any) and all packaging, literature, advertising, publicity, promotion and displays of the Products, including those images and content that may be placed online. Licensee shall be responsible for delivering all items or images requiring approval without cost to Artist. Artist agrees not to withhold approval unreasonably. Licensee shall not release or distribute any Products without first securing approvals in writing from Artist. All Products must be in conformance with such written approvals.

1. **Severability.** This standard form languageensures that the Agreement remains valid even if a portion of it becomes unenforceable for any reason**.**

If any term of this Agreement is held to be illegal, void or unenforceable for any reason, such holding shall not affect the validity and enforceability of any other term of this Agreement.

1. **Governing Law.** Another standard formprovision establishing which state’s (or country’s) laws apply in the event of a dispute.

This agreement shall be governed by and construed in accordance with the laws of the State of .

1. **Jurisdiction.** Along with the Governing Law provision, thisprovision establishes where disputes will be resolved. It could be the same as the Governing Law or different, but important to pay attention to so it is clear how far you may have to travel to deal with disputes!

Unless otherwise agreed, any dispute resolution and/or litigation shall take place in the state or federal courts located in the State of , County of and the Parties will accept the exclusive jurisdiction of these courts. Each Party agrees to service of process through the procedure defined for Notice. The prevailing Party at trial or appeal will be entitled to costs and attorneys’ fees.

1. **Entire Agreement**. This language confirms that there are no other outside deals—this is it! Very important in ensuring that no one is relying on separate, oral promises outside the written language of the Licensing Agreement.

 This Agreement supersedes and replaces all prior written and oral agreements and constitutes the entire and complete agreement by and between Artist and Licensee. This Agreement may be changed only by an agreement in writing, signed by the party against whom enforcement of any modification, extension or discharge is sought.

1. **Dispute Resolution.** This important language sets out the ways in which disputes may be resolved. It is always a good idea to keep in mind that addressing matters frankly and before they grow too big is the best way to avoid disputes!

 **Good Faith Consultation**. The Parties to this Agreement will attempt to resolve any problem or dispute arising out of, or related to, this Agreement through good faith consultation in the ordinary course of business.

 **Mediation**. If the Parties are unable to resolve the problem or dispute within thirty (30) days, the matter will be submitted to mediation, or to such other form of dispute resolution as the Parties may then agree to. The mediation will be conducted by a neutral person acceptable to both Parties.

 **Other Remedies.** If mediation is not success in resolving any disputes, the Parties may resort to litigation and equitable relief to resolve disputes that still exist. In addition, either Party may seek equitable relief (injunction and/or specific performance) at any time when immediate enforcement or cessation of performance under this Agreement is required to avoid foreseeable damages to relief-seeking Party’s interests, including but not limited to intellectual property interests.

1. **Attorney Fees.** An Attorney Fees provision is one of the first things a lawyer will look for if you have a dispute. This provision can allow for or deny recovery of costs and fees. It can be a good disincentive for parties to pursue frivolous litigations.

 The costs of mediation shall be borne equally by the parties. In the event of litigation, including any mandatory arbitration, arising out of, or in any way related to any term set forth in this Agreement, the prevailing party, in addition to any other relief awarded, shall be entitled to recover its reasonable attorney’s fees and court costs at trial and on appeal.

1. **Notices**. A Notices provision sets out where each party can be contacted. This section should be updated as regularly as necessary to ensure that all parties are readily reachable.

 All notices required by this contract shall be in writing and mailed to the parties at the addresses set forth above or at such other address that a party shall specify in a notice given in accordance with this paragraph.

1. **Assignment.** This provision determines whether one or both parties have the ability to assign rights or duties to someone else. It is not uncommon to see this presented as a Non-Assignability clause if the parties desire each party to remain static throughout. If assignment is contemplated for the future, it is fine to allow for that to happen, but common that it require the permission of the other party.

 The rights and obligations contained in this Agreement are not assignable by either party without the express written consent of the other party. Licensee shall immediately notify Artist of any ownership or relevant personnel changes.

1. **Nonwaiver.** This provision ensures that if you let the other party “slide” in complying with any portion of the Agreement, you have not waived your right to insist on adherence to the Agreement’s terms at a later date.

 The waiver by any party of a breach or violation of any term of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach.

1. **Counterparts**. While electronic signatures have become common for indicating agreement, it is still advisable to include language that allows the Agreement to be executed in several pieces and without any “wet” signatures if the parties agree.

This Agreement or any amendments may be executed in two or more counterparts, and by facsimile, email, scan or any other medium mutually acceptable to the parties, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

1. **Signature Block**. This is found at the very end of the body of that Agreement (though before any Exhibits or Schedules) and it is where both parties acknowledge their agreement by dating and signing.

#  Dated this day of , 20 .

**Licensee** **Artist**

By: By: