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US: TRADE MARKS

Domain name issues in licence agreements

In order to protect and enhance the prestige of a licensed mark, trade mark owners, when drafting trade mark licence agreements, typically focus their attention on ensuring that they maintain the necessary level of approval over, and consistency in, the use of the licensed mark. Unfortunately, this desire often becomes a secondary concern as trade mark owners are blinded by the revenue-generating opportunities that may be derived from a proposed licence agreement and therefore, gloss over certain integral protections.

The internet provides wonderful opportunities for trade mark owners to promote and expand the goodwill and renown of their brands. Despite the vast number of protections and approvals that trade mark owners often include in licence agreements, trade mark licensors often fail to address domain name issues in their arrangements with licensees.

If a licence agreement does not specifically prohibit the licensee from using the licensed mark in domain names or from registering domain names incorporating the licensed mark, the licensor may be left in a position

where it lacks the necessary control over the licensee's use of the licensed mark on the internet. Provisions in licence agreements which simply state that any unauthorized use of the marks by the licensee shall constitute an infringement or that all use of the marks by the licensee inures to the benefit of the licensor may not be sufficient to prevent a licensee from having the right to use and register domain names incorporating the licensed mark.

Therefore, in order to protect a trade mark owner's rights to use certain trade marks as part of domain names and to control a licensee's uses of those marks, it is recommended that the licence agreement include specific language either reserving the right for the licensor to own, operate and license internet sites under the licensed mark or specifically denying the licensee such rights without the licensor's specific approval.

Domain name registrations incorporating a particular mark can often be just as important as the trade mark itself and licensors would be best served to address them specifically in the licensing arrangement itself.

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