

HOW SIGNIFICANT IS THE LICENSING AND ASSIGNING OF TRADEMARKS?

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This Article sets out key legal and commercial considerations for trademark owners wishing to exploit their trademarks, including the licensing and sale of their trademarks.

Assignment and licensing of Cyprus and European trademarks

Cyprus registered trademarks may be assigned for some or all of the goods or services covered by the registration, or in relation to use of the mark in a particular manner or locality.

European Union trade marks (**EUTMs**) can be assigned in relation to some or all of the goods or services for which they are registered but cannot be the subject of a partial assignment in respect of specific territories within the EU; an EUTM being considered as an object of property, it must be dealt in its entirety.

Moreover, a Cyprus registered trademark may be licensed in relation to all, or only some, of the goods or services for which it has been registered. The licence may be restricted to the use of the mark in a specific manner or location. Similarly, an EUTM can be licensed for some or all of the goods or services for which it is registered.

Commercial considerations

Owners of trademarks, who exploit their trademarks by manufacturing and selling their own goods or services by reference to those trademarks, will often find that it makes commercial sense to permit further exploitation through licensing to third parties. For instance,

when a company does not have the facility to manufacture and distribute products itself or does not have sufficient resources to cover the necessary advertising costs for a particular product or even does not have an overseas presence in a specific area, third parties with the relevant expertise can provide assistance.

Additionally, a proprietor who no longer wishes to retain its rights to a trademark may decide to sell the mark. For instance, a company, which is intending to withdraw from a particular market, may wish to be relieved of the current cost of maintaining the trademark registration, which

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relate solely to the discontinued products, while recovering the costs of acquiring and maintaining the registrations. In addition, a company that intends to sell part of its business where certain trademarks are integral to the value of the business, will have to either accept a significantly reduced price or include the marks in the total value of the assets being sold.

A completed sale will result to an immediate profit and will eliminate the administrative burden and costs of maintaining the trademark. By contrast, a licence is more likely to mean that the financial return is spread over the duration of the

licence in the form of royalties, with the owner retaining primary responsibility for maintaining the registrations.

What are the advantages of licensing?

A trademark proprietor benefits from the additional exploitation of its mark by receiving royalties from a licensee. Equally important, however, will be how the licensee uses the trademark in order to enhance its reputation and its value. A potential licensee's ability to strengthen or enhance the mark, should be carefully considered by the licensor. In addition, the licensor of a trademark must protect the goodwill, reputation and value of its mark by controlling the licensee's use of the mark. Conditions limiting and regulating its use should be therefore imposed.

The advantages of licensing are the following:

- Obtaining a continuing royalty stream, maximising return.
- Maintaining the ability to control the use of trademarks.
- Ability to maximise exploitation in terms of territory, goods or services covered and volume of sales.

What are the disadvantages of licensing?

- In the event of a disagreement between the licensor and licensee, the former licensee may become a competitor.
- Continuing obligations such as the need to impose rights on behalf of licensees by taking a proactive approach to trademark breach.

What are the advantages of assigning?

- Obtain a one-off lump sum to recover the costs of obtaining registration.
- Be released from the responsibility of management and enforcement.

What are the disadvantages of assigning?

- Relinquish control over the trademark.
- Difficulty of valuing the trademark often leads to obtaining a smaller return than licensing in the long term.
- In relation to a EUTM, the assignment must be of the entire registration covering the whole of the EU; it cannot be for specific territories.

Legal considerations

Where a transaction involves the transfer or licensing of foreign trademarks, legal advice should be obtained by lawyers in the relevant territories, including advice on the formalities required to support the proposed transaction. Local registration requirements vary considerably between registries around the world and it is wise to search for the existence of conflicting third party marks in any territory of interest to be carried out.

Record assignments

Under Cyprus legislation, the applicant or the registered proprietor of trademarks may transfer its trademarks rights arising from the application or the registered trademark. The transfer may be total or partial, i.e. it may concern only some of the products and services of the trademark, provided that there is no risk of misleading the

public, in particular as to the nature, quality or geographical origin of the product or service. The applicant or the registered beneficiary must notify the Cyprus Intellectual Property Section of the transfer of the rights by submitting the relevant form and fees.

The assignee shall ensure that the transaction of the assignment is recorded in the Cyprus Intellectual and Industrial Property Section, Department of Registrar of Companies and Official Receiver, otherwise there is a risk the transaction to be ineffective against a third party acquiring a conflicting interest in the mark.

Taxation

Trademarks are assets and - in some cases - high in value. This means that trademarks transactions, whether assignments or licences, may involve the valuation of the rights concerned and the payment of substantial sums of money for the transfer or granting of rights. As with tangible assets, the ownership, disposal and licensing of IP rights all have potential tax implications. When transferring or licensing a trademark, the tax implications of the proposed transaction should be carefully considered.

The purpose of this Article is to provide a general guideline on the subject and not to be considered, in any way, as legal advice. It is advisable to seek professional and legal advice on the subject before proceeding with any general information provided to you. For further clarifications and advice please contact us at legal@economideslegal.com

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