

TRADEMARK LICENSING IN NIGERIA

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One of the key success indicators of many businesses around the world, is the ability of the business to grow, expand and remain viable, even after the life of its founder/founders. The yearning for a sustainable business model by numerous business owners sometimes requires such business owners to issue trademark licenses to interested entities which come into play in different forms. However, as much as issuing trademark licenses can be advantageous to a business, it sometimes comes with some lasting issues that are capable of ruining any business/business model.

Accordingly, this article will explain what trademark licenses are and how they operate; highlight the advantages and disadvantages that come with the existence of trademark licenses and finally, provide some insight into some of the things that should be taken into cognizance before executing trademark licenses on the part of the licensor as well as the licensee.

The extant law on Trademarks in Nigeria is the Nigerian Trade Marks Act, Cap T13, Laws of the Federation of Nigeria 2004 (TMA). The TMA defines a trademark as "a mark used or proposed

to be used in relation to goods to indicate a connection in the course of trade between the goods and some person having the right either as proprietor or as a registered user to use the mark whether with or without any indication of the identity of the person ..."



Trademark licensing is simply defined as an arrangement where a trademark owner (licensor) grants permission to another (licensee) to use that trademark on mutually agreed terms and conditions. By licensing the trademark, the registered proprietor allows others to use the mark without assigning the ownership to them. The proprietor can also put other limitations on the use of the mark through the terms that he puts into the licensing agreement. Thus, a mark will be infringed upon if it is used by a person, other than the proprietor or a registered user, in a

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similar or identical class of goods in such a way as to be likely to deceive or cause confusion or indicate some connection between the proprietor or registered user and the alleged infringing user.

The concept of Trademark Licensing is provided for under Section 33 of the TMA which provides, that subject to the provisions of this and the next following section, a person other than the proprietor of a trademark may be registered as a registered user thereof in respect of all or any of the goods in respect of which it is registered (otherwise than as a defensive trademark) and either with or without conditions or restrictions. It can be said that the term “registered user” in the Act is synonymous with the term “licensee”. Furthermore, section 33 (3) provides that “For the purposes of section 31 of this Act and for any other purpose for which the use of a trademark is material under this Act or at common law, the permitted use of a trademark shall be deemed-

- (a) to be used by the proprietor thereof; and
- (b) not to be used by a person other than the proprietor.

Trademark licensing could be exclusive, non-exclusive, or sole. It is exclusive when the licensee is the only one who can make use of the trademark; it is non-exclusive where the licensor gives license to more than one licensee; and it is sole where the licensor agrees to use just one

licensee, but the licensor reserves the right to continue the use of the trademark as well.

Some advantages of trademark licensing include:

- 1. Passive income** - An owner of the trademark can license the use of the mark to as many users or licensees as possible without the risk of losing the ownership rights, thereby creating additional revenue streams by each such user.
- 2. Business Expansion** - When a licensing arrangement is in place, it makes it easier to penetrate foreign markets, as the license may prevent cumbersome inter-country regulatory compliance requirements.
- 3. Advertisement** - The more a trademark is used, the greater the recognition of the brand. Common costs may be shared, particularly advertising and promotion costs.
- 4. Strategic Partnership** - The licensor can get their product into new markets easier than if they were doing the work on their own.

Some disadvantages include:

- 1. Trademark Theft** - Licensing a trademark sometimes increases an owner's level of exposure to theft as it may be difficult for an owner to monitor the use of the licensed trademark.

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2. Threat to reputation – If any element of the licensing agreement is mismanaged or breached such that it causes any harm or discomfort to a customer/client; the licensor and licensee can suffer a reduction in the brand reputation. If multiple licenses are offered, then the reputation may suffer globally, affecting several businesses that are not involved in the situation. The only way to resolve this potential error is to have a good quality control clause/policy in place. That is why many license agreements include a series of best practices to follow, creating consistency within the brand across all licenses.



3. Reliance on the quality of the Trademark -

The risk is borne by the licensee in this regard. The profitability of the licensee's venture is dependent upon the quality and continued strength of the brand, which cannot be outrightly guaranteed.

The advantages and disadvantages of licensing can be managed with proper due diligence by both parties, performed before agreeing to do business.

It is of utmost importance to incorporate clauses on quality checks of goods or services in the license agreement. Although the terms of every license are different and may be freely negotiated between the licensor and licensee, all licenses must at least include certain terms to be valid. Licensing agreements should include the following:

- Details of both parties
- the type of license being offered
- any trademarks being included in the agreement
- Permitted use of the trademark
- the geographic region where the licensee is to operate
- the products or services the licensee may offer with the registered trademark
- Provision for Quality control
- Dispute Resolution Clause
- Duration Clause
- Remuneration /royalty Clause
- Effective dates

Trademark licensing can be beneficial because both parties get the chance to earn profits. It can also be detrimental if a license is over-extended or one of the parties acts in bad faith.

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It is noteworthy however, that the only possible restriction to the registration of a trademark license agreement in Nigeria is that the registrar can refuse it on the ground that such registration will facilitate trafficking in the market.

For further information on trademark licensing, kindly contact our **Intellectual Property and Technology Practice Group** at ipgroup@banwo-ighodalo.com

DISCLAIMER: This article is intended to provide a general guide to the subject matter and does not by itself constitute a legal advice to readers. Specialist advice should be sought about readers' specific circumstances.



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