University Trademark Licensing: Creating Value Through a “Win-Win” Agreement

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Introduction

In keeping with the times of our increasingly knowledge-driven global economy, which puts a premium on the value of an entity’s intangible assets like never before, universities worldwide have come to successfully utilize many of the fundamental tools of intellectual property (IP). Trademark licensing, a potentially very lucrative way to create value from IP assets, is becoming a significant source of revenue for many universities. Not only can a licensing agreement generate income that will filter back into essential university programs, the circulation of an institution’s “brand” can garner it widespread recognition and help to portray a positive image to the public. Universities negotiate licensing agreements as a means to control the use of their trademarks in the marketplace, by ensuring consistency and quality in the products carrying their marks. Since academic institutions thrive on their ability to create and uphold a strong reputation, a widely recognizable and distinctive trademark complete with adequate IP protection is essential. This article will attempt to shed light on the process and benefits of collegiate trademark licensing for university officials, Small and Medium-sized Enterprises (SMEs) considering becoming licensees, and all others interested in learning the basics of this expanding area of IP.

How Can Both Sides Achieve Mutual Benefit?

In a trademark licensing agreement, the university licenses the right to use one or more of its trademarks to manufacturers, retailers, or vendors for use on their products or services. This could include the right to use the university’s name, seal, logo, crest, sports mascot or any other of its exclusive and distinctive markings. With a licensing agreement, the manufacturing company or vendor potentially makes much more money on products carrying the university’s name compared to the same product without a university trademark. For example, a clothing manufacturer enters into a licensing agreement to put a well-known university’s logo on its t-shirts and sweatshirts, or a pen manufacturer becomes licensed to put a school’s name and crest on its new line of pens. This type of arrangement allows the manufacturer to offer a substantially more attractive and marketable product to the consumer. On the other side of the arrangement, the university enjoys a source of revenue in the form of royalty payments from the licensee which it would not receive otherwise. This business practice, which forms the basis of most trademark licensing done by universities, is known as “merchandising.” Merchandising of IP assets, which occurs through the execution of a licensing agreement, is the process of licensing trademarked names, logos, or symbols to manufacturers for use on their products in exchange for payment of royalty fees. Through the licensing contract, the university can also effectively control the use of its marks. Therefore, trademark licensing provides the ideal opportunity for the university to achieve a “win-win” situation between itself and the licensee. In the United States especially, where collegiate merchandise is annually a multi-billion dollar industry, universities recognize the vast potential for this market and license their trademarks to licensees in a mutually beneficial arrangement.

Although there is not a uniform policy which all universities follow regarding trademark licensing and other aspects of intellectual property, many similarities can be seen across the board in university licensing practice, at least in the United States. Outside of the U.S., institutions such as the University of Toronto in Canada and the world-renowned University of Oxford in England, just to name a few, follow similar policies as many American universities in trademark licensing. Accordingly, many universities around the world operate comprehensive and successful trademark licensing programs.[1] However, given the breadth of variety in the practices of institutions worldwide, this article will primarily focus on universities in the U.S. The trademark licensing practices of American universities, while certainly varying from school to school, generally have much in common and thrive on the robust U.S. collegiate sports industry.

The Basics of an Effective License: Comprehensive, But Limited in Scope

After formally registering with the national trademark office or in some instances simply through demonstrated use of the trademark, a university owns its name and any other distinctive marks or symbols it chooses to protect. In order to legally produce and sell products carrying the school's name or symbols, a manufacturing company or other organization must first become licensed. In the first step towards reaching a licensing agreement, a potential licensee must file an application either with the university's trademark department, or with a third-party licensing firm representing the institution. The distinction between the university trademark licensing department and a third-party licensing firm will be discussed later in this article. The potential licensee can often conveniently use one application form to apply for licenses for multiple products, however each product will be considered on an individual basis. The application will be carefully reviewed by the university or licensing firm, and if accepted, a non-exclusive license agreement will be proposed for the right to use the trademarks on the specified products. The finalized agreement signed by both parties will give the licensee the right to use the trademarks on its licensed products. The licensee will then typically receive artwork, royalty forms, product specification and labeling information from the licensor. The non-exclusive nature of the license allows the university to enter into other agreements with a number of different licensees. The university should grant non-exclusive licenses which are limited in their scope to the specific needs and interests of the licensee. This includes limiting licensed use for certain products, specific geographical regions or countries, and a specific time frame. The right to exploit the marks will be for a limited period of time, as outlined in the agreement, but the license can typically be automatically renewed as long as the licensee meets certain requirements.

Why Is It So Important to Ensure Quality Control?

One of the principle and essential elements of a trademark licensing agreement is the notion of "quality control." As discussed earlier, quality control in the case of university trademarks is extremely important given the need to properly uphold the reputation and "goodwill" associated with the university's marks. The licensor, in this case the university, must have mechanisms in place to ensure quality control standards and consistency in all licensed products. These standards must be outlined in the licensing agreement, and will serve as the guidelines for the proper use by the licensee for the remainder of the life of the license. In the written agreement, quality control measures should include: submission of product samples to the university prior to approval, allowances for regular inspection of the licensee's facilities, and the right of the university to approve any artwork developed by the licensee.[2] In the U.S., the stakes for proper quality control of trademarks are quite high. In accordance with the Lanham Act - the principle legislation concerned with trademark rights - licensors have the responsibility to control the use of their marks, or else face possible abandonment and loss of the mark. If the university, as the licensor, does not retain the right to approve and does not in fact approve the licensed use, it becomes vulnerable to a claim that it has abandoned its mark and the rights therein. Such an uncontrolled license is often called a "naked" license.[3]

[1] The University of Oxford, for example, has created a unique independent company called Oxford Limited to promote its image and manage the university's trademark and branding program. The University of Oxford is the sole shareholder in Oxford Limited, and revenues gained through licensing are filtered directly back into the university. Information on their website at <www.oxfordlimited.co.uk>.
[2] See Glenn S. Bacal, "Collegiate Trademark Licensing: The Basic Rules of the Game", Intellectual Property Department, Jennings Strauss & Salmon, 11 January 2007.
[3] See Han-Seop Shin, "The Search for the Sources of Trademark Licensing", Franklin Pierce Law Center, 1998.

The university will obviously want to avoid any possibility of abandonment of its precious marks, and the best way to mitigate against this event is the formation of a comprehensive licensing agreement addressing quality control issues and product consistency.

The License Agreement: It's All About the Details

In the agreement itself, the university can effectively dictate the proper use of its marks in the public sector. At the most basic level of the written licensing arrangement, the licensee submits background biographical and financial information concerning its company and the proposed products. As it is recommended in best practice models for collegiate licensing, many universities require submission of product samples for each potential item to be licensed. These sample products should not include the university's logo or other trademarks, since the licensee does not yet have the right to use the marks. In seeking to properly control the use of their IP assets in the marketplace, universities may also stipulate certain requirements for the display of their mark on products. This could include, but is not limited to, regulations on the design style, particular typeface, placement or position of the trademark, or a specific color scheme that must be used. For example, Yale University expressly states in its licensing agreements that for a number of its classic trademarks, only the color "Yale Blue", PMS 289, can be used on licensed products.[4] Universities will also typically require the inclusion of either the "®" or "™" symbols next to their trademarks to formally serve notice that a given sign is a trademark, thus providing a warning to any potential infringers or counterfeiters.[5] School's licensing programs also frequently provide notice to possible licensees that certain products considered to be in bad taste or potentially hazardous items, which might tarnish the image of the university, will not be approved. Some of these products which will not be approved by many institutions include: alcohol or tobacco products, firearms and other weapons, drug-related paraphernalia, and sexually suggestive or explicit products.

Another important requirement for most universities as a condition of awarding a licensing contract is the licensee agreeing to join an accredited labor rights organization. This helps to ensure that any products bearing the university's trademarks will be made in a safe and fair working environment. The Fair Labor Association (FLA), a non-profit agency, is one of the largest labor rights organizations representing universities and other organizations in the U.S., and is currently affiliated with 194 colleges and universities.[6] Academic institutions which are members of the FLA require that licensees participate in the FLA Licensing Program, which monitors labor conditions in the licensee's facilities around the world on behalf of its member universities.

Since the university is the proprietary owner of its name and other trademarks, the permission to use its exclusive marks can ultimately only be granted by the institution. By carefully choosing which companies or other entities may legally use their trademarks through a licensing agreement, the university is able to protect its name and reputation. Many universities limit the amount of licenses given out per year to maintain selectivity. There is also a distinction between commercial or promotional use of trademarks, and "in-house" use by an entity affiliated with the university. While commercial licensees such as manufacturers or vendors would have to enter into a licensing agreement and pay royalties for the right to use the marks, campus organizations can in some schools be exempt from paying royalties. Examples of campus affiliation include academic units within the university or registered student organizations. Even if the campus organization is exempt from paying royalties, it still must in almost all cases file an application and receive permission from the university trademark office before using the marks. Regardless of the commercial or in-house nature of the trademark user, the university must ensure that the use of its marks will represent the school in a favorable manner, and that its marks are only associated with quality and tasteful products.

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[4] Yale University Licensing Program, 2006. < http://www.yale.edu/licensing/trademark.html>.

[5] The ® symbol is used once the trademark has been registered, while the ™ symbol denotes that a given sign is a trademark but has not yet been registered with the respective national office.

[6] For a list of FLA participating universities, see < http://www.fairlabor.org/all/colleges/list.html>.

The Roles of the University Department & the Independent Licensing Firm

In order to navigate the large market for successful trademark licensing, but also just as importantly to deal with issues which can arise in the realm of IP, many universities have created offices or departments devoted entirely to trademark protection and licensing. Reflecting the trend of the relatively recent boom in the force of intangible assets, many of these departments were only created in the early to mid-1980s. Although most U.S. universities have their own trademark departments, a majority of schools will also hire an independent licensing firm specializing in licensing agreements. While it is certainly possible to manage all aspects of a licensing program in-house through the trademark department, a large licensing agency acting as an intermediary between the university and the licensee can offer many advantages. The Collegiate Licensing Company (CLC), for example, is the oldest and largest licensing firm in the U.S., with nearly two hundred universities and collegiate athletic organizations as clients.[7] University clients can benefit from the experience and resources a licensing firm can bring to the table, especially when negotiating agreements with multiple licensees. In the case of universities with wide national recognition and strong athletic programs, the number of licensees in a given year can amount to four to five hundred.

In a survey of fifty major U.S. universities, both public and private and located in different regions of the country, thirty-eight schools used the services of a licensing agency to develop their licensing programs and negotiate agreements, while twelve schools managed their licensing agreements through their own in-house departments (see Appendix 1). While some of the most academically respected and well-known universities, such as Princeton, Harvard, and Yale, all still negotiate licensing contracts through their own university trademark offices, the recent trend has been for universities to employ the services of an intermediary licensing agency in hopes of increasing revenue and simplifying the cumbersome process.

The Royalty Process: Commercialization of University IP Assets

In addition to overseeing the application process for prospective manufacturers and other licensees, trademark departments and licensing firms serve a few other important functions. Once a licensing agreement is reached and the goods carrying the university's trademarks go to market, the university receives royalty fees from the licensee for the right to use the trademarks. The trademark licensing department, or the independent licensing firm, is responsible for the oversight of the royalty payment process. Royalty fees vary amongst different institutions, however a standard royalty rate for most U.S. universities is either 7.5% or 8% of the net wholesale generated by the products, usually reported and collected quarterly. Advance royalty fees, which must be paid to the institution as part of the agreement, can vary anywhere from $100 to $1,000, based incrementally on the type of product to be merchandised and the policy of each individual school. Minimum yearly sales quotas, also varying with different types of products, are typically required in order to renew the agreement. Revenues gained from royalty fees, which can amount to millions of dollars per year depending on the strength of the university's brand, are then dispersed back into the institution usually in the form of scholarship funds for academics, athletics, faculty or improvements to facilities. For instance, the University of Texas, which won the national football championship in 2005, capitalized on its athletic success and translated the rise in popularity of its brand to big royalty revenues. The school set the National Collegiate Athletic Association (NCAA) record for licensing revenues with $8.2 million in royalties from 2005 to 2006.[8] While this is not realistically feasible for the vast majority of schools, it shows the powerful potential of having a well-recognized brand and the real results from negotiating effective licensing agreements.

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[7] The Collegiate Licensing Company, 2005. More on CLC at <http://www.clc.com/clcweb/publishing.nsf/Content/aboutclc.html>.

[8] "Longhorns knock off Tar Heels to lead nation in merchandising revenue", *USA Today.com*, 26/08/2006.

Monitoring the Market: The Key to Combating Infringement

Another crucial aspect of managing trademark licensing is the ability of the university trademark office to monitor the market for infringement of its marks. This is usually done on a national scale but also at the international level depending on the institution's resources. Unlicensed merchandise, which usually is associated with a lower quality product, can damage the desired image and reputation of the university. Trademark infringement in the form of counterfeit merchandise is especially prevalent in the market for collegiate products. Once unlicensed products are detected in the marketplace, the university may take legal action against this infringement of its trademarks in order to restore its image. Given the lost revenue and intangible harm caused by counterfeiting, universities must take the necessary steps to protect their intellectual property and preserve their reputation with students, alumni, and consumers.

Oftentimes, a third-party licensing firm hired by the university can effectively aid in the enforcement of its client's trademarks. The Collegiate Licensing Company (CLC), the licensing consortium mentioned earlier, pursues an aggressive anti-counterfeiting policy to combat infringement. This includes sending company agents to major sporting events and other collegiate exhibitions in order to seek out vendors selling unlicensed merchandise. Law enforcement officials are also in coordination with the licensing agencies and respective universities in cracking down on trademark infringement during athletic events. CLC estimates that on average nearly 5,000 pieces of unlicensed counterfeit merchandise are seized outside of the host stadium during the Bowl Championship Series title game, the biggest game in college football each year.[9] Similar significant efforts aimed at reducing counterfeiting are also made at the NCAA Final Four basketball tournament, the other major draw each year in collegiate athletics.

Given the unfortunate climate for the rampant selling of counterfeit merchandise, the added resources for monitoring potential infringement and the legal expertise provided by a licensing firm are just a few of the potential advantages of using an intermediary in developing a successful licensing program. For universities practicing enforcement through their own in-house trademark protection and licensing departments, having a clear strategy for seeking out infringement and pursuing possible legal action is essential. Since they must entirely oversee the protection of their trademarks and manage the licensing process, in-house university IP departments typically go to great lengths to outline their trademark policies on their websites or in official legal documents. Most university trademark departments also provide stern warnings against infringement on their websites, sometimes describing the fines and possible criminal repercussions for those found guilty of producing or distributing unlicensed merchandise.

Conclusion: Licensing for the Twenty-first Century

Many universities have realized the need to first-and-foremost protect their valuable IP assets by registering their names, logos, and other distinguishable symbols as trademarks. The system of IP protection has allowed the university to develop its brand, which over time will hopefully be associated with the positive legacy, tradition, and reputation of the institution. This is important for maintaining an emotional connection not only with students, alumni, and faculty, but with the general consumer public as well. In taking the next step towards converting their IP assets into revenues which fund essential university functions, schools have been able to harness the invaluable power of intellectual property. This practice of creating value from the development of a strong brand and favorable reputation, in the form of trademark licensing agreements, offers the possibility for both the licensor and licensee to benefit from the arrangement. From a business perspective, this is a win-win situation. The two parties, licensor and licensee, are able to accomplish far more together in this type of partnership than they could on their own. Major universities in the U.S. have certainly capitalized on the potential business aspect of collegiate merchandising, especially with the help of the very profitable college sports industry. By effectively licensing the right to use their

[9] "Bowl Championship Series prepared for counterfeiters at inaugural championship game in Arizona", *MarketWatch.com*, 04/01/2007.

recognizable trademarks to manufacturers, universities have been able to bring a substantial amount of money back into the institution for greater improvement of its educational community, all through the effective use of fundamental intellectual property techniques.

In light of the rapid growth of the importance of intangible assets in the knowledge economy of the twenty-first century, universities with comprehensive trademark licensing programs are at the head of the pack. Although the practice of licensing collegiate merchandise is only a few decades old, the market has grown significantly. All of this means increased revenues and an effective mechanism for universities to control the use of their marks. Whether schools practice licensing through their own in-house departments or through an established licensing agency, the principle aims are the same. Licensing agreements allow academic institutions to reach a much wider market and promote the desired image of their university. For licensees who pay royalties to use the marks of these schools, there is a clear advantage in brining a more attractive product to market for the consumer. While universities certainly have come to enjoy the profits from royalty revenues, it's not all about the money. The primary goal of registering marks and developing an effective licensing program is to ensure that the good name of the university, which is the hallmark of a well-respected institution, is upheld in the public arena. As many universities in the United States increase their capacity for trademark protection and licensing opportunities for the future, including successfully managing international markets, they will be well on their way to taking a place on the cutting edge of intellectual property and the new economy.

APPENDIX 1

Universities Which Conduct In-house Licensing Agreements	Universities Which Employ Licensing Firms	
California Los Angeles, University of (UCLA)	Alabama, University of	Massachusetts, University of
Harvard University	Arkansas, University of	Michigan, University of
Indiana University	Arizona State University*	New York University
Iowa, University of	Auburn University	North Carolina, University of
Michigan State University	Boston College	Northwestern University
Ohio State University	California Berkley, University of	Notre Dame, University of
Oregon, University of	Colorado, University of	Oklahoma, University of
Princeton University	Cornell University	Pepperdine University
Rutgers University	Duke University	Pittsburgh, University of
Southern California, University of (USC)	Florida, University of	Purdue University
Yale University	Florida State University	Tennessee, University of
West Virginia University	Georgetown University	Tennessee, University of
	Georgia, University of	Tennessee, University of
		Texas, University of
	Hofstra University	Texas A&M University*
	Iowa State University*	Tulane University

	Kansas State University	Utah, University of
	Kentucky, University of	Vanderbilt University*
	Louisiana State University	Virginia, University of
	Maryland, University of	Wisconsin, University of

* All universities which employ licensing firms are contracted with the Collegiate Licensing Company (CLC), except those listed with an “*”, which are contracted with the Licensing Resource Group, Inc. (LRG).

The views expressed in this article are those of the author and do not necessarily represent those of WIPO. Comments, suggestions or any other feedback concerning this article may be sent to john.jennings@wipo.int or jenni110@msu.edu. Many thanks to Lien Verbauwhede and Tamara Nanayakkara for their most valuable guidance and comments.