

NJORD Estonia explains: Reckless license agreement can wreck your brand!

As Estonia is gaining recognition for its successful increase of creativity, more and more brands are spreading beyond our borders. When noticing Estonian design in foreign airports or department stores, many of us Estonians feel impressed. But, be sure to register your brand as a trademark to ensure legal protection for your idea. Copyrights, trademarks, designs and patents can be registered both domestically and on a more or less global scale, and it gives the registered author the exclusive right to use his or her own creation in any way and to permit or prohibit the use of the work by other persons. In other words, no-one should earn money on your creativity without a license!

The legal situation needs to be assessed when the author wishes to give a right to use her work to someone else being located elsewhere. When an author signs an agreement for resale or distribution of the creations, you need to understand the following risks. The use of another person's work may lead to various consequences in case of improper or even illegal use, such as liability for the resale of non-quality goods, use of the trademark in non-intended products, or, even alteration of the trademark by the other user. For the legitimate author of the work, this can turn out to be extremely complicated. Some negative examples from real life:

- material damage occurred when the user had distributed poor quality goods or services;
- major loss recorded when the user had behaved unethically and inaccurately in relation to the goods;
- loss of activity license in another country, when the user did not act with the work in accordance with the law.

In order to avoid the above examples, it is worth making a proper license agreement that protects the creation and its owner. A license agreement should define the purpose, target, markets and, in particular, the minimum quality requirements and the division of legal responsibility. It is also important to note whether the licensing agreement allows the licensee to transfer sublicense rights to third parties. And there should be a license fee paid by the user to the author. A diligent license agreement should be looked upon as an important insurance to meet new business goals!

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