

LICENSING AGREEMENT (Long Form – Front)

[Licensor's Letterhead]



Remove all language in italics before using this form.

1. Grant of License

Agreement made this _____ day of _____, 20____,
between _____ (the "Licensor"), having an
address at _____, and
_____ (the "Licensee"),

having an address at _____ whereby
Licensor grants to Licensee a license to use the designs listed on the at-
tached Schedules A and B (the "Designs") in accordance with the terms
and conditions of this Agreement and only for the production, sale, ad-
vertising, and promotion of certain articles (the "Licensed Products")
described in Schedule A for the Term and in the Territory set forth in
said Schedule. Licensee shall have the right to affix the Trademarks:
_____ and _____ on or to
the Licensed Products and on packaging, advertising, and promotional ma-
terials sold, used, or distributed in connection with the Licensed Products.

2. Licensor's Representation and Credits

A. Licensor warrants that Licensor has the right to grant to the Licensee all
of the rights conveyed in this Agreement. The Licensee shall have no right,
license, or permission except as herein expressly granted. All rights not spe-
cifically transferred by the Agreement are reserved to the Licensor.

B. The Licensee prominently shall display and identify the Licensor as
the designer on each Licensed Product and on all packaging, advertis-
ing, and display, and in all publicity therefore, and shall have reproduced
thereon (or on an approved tag or label) the following notices:

"© _____ [Licensor's name and date] All
rights reserved." The Licensed Products shall be marketed under the name:

_____ for
_____ [if applicable].

The name shall not be co-joined with any third party's name without the
Licensor's express written permission.

C. The Licensee shall have the right to use the Licensor's name, portrait, or
picture, in a dignified manner consistent with the Licensor's reputation, in
advertising or other promotional materials associated with the sale of the
Licensed Products.

3. Royalties and Statements of Account

A. Licensee agrees to pay Licensor a nonrefundable royalty of \$ _____

[or] (_____ %) of the net sales of all of the Licensed Products incorpo-
rating and embodying the Designs. "Net sales" is defined as sales direct to
customers less prepaid freight and credits for lawful and customary volume
rebates, actual returns, and allowances; the aggregate of said deductions and
credits shall not exceed 3% of accrued royalties in any year. No costs incurred
in the manufacture, sale, distribution, or exploitation of the Licensed Prod-
ucts shall be deducted from any royalties due to Licensor. Royalties shall be
deemed to accrue when the Licensed Products are sold, shipped, or invoiced,
whichever first occurs.

B. Royalty payments for all sales shall be due on the 15th day after the end of
each calendar quarter. At that time and regardless if any Licensed Products
were sold during the preceding time period, Licensee shall furnish Licensor an
itemized statement categorized by Design, showing the kinds and quantities

of all Licensed Products sold and the prices received therefor, and all deduc-
tions for freight, volume rebates, returns, and allowances. The first royalty
statement shall commence on: _____ [date].

C. If Licensor has not received the royalty payment as required by the forego-
ing paragraph 3B within 21 days following the end of each calendar quarter,
a monthly service charge of 1 1/2% shall accrue thereon and become due and
owing from the date on which such royalty payment became due and owing.

4. Advances and Minimum Royalties

A. In each year of this Agreement, Licensee agrees to pay Licensor a Guar-
anteed Minimum Royalty in the amount of \$ _____, of which
\$ _____ shall be deemed a Nonrefundable Advance against roy-
alties. The difference, if any, between the Advance and the Guaranteed
Minimum Royalty shall be divided equally and paid quarterly over the
term of this Agreement commencing with the quarter beginning
_____ [date].

B. The Nonrefundable Advance shall be paid on the signing of this Agree-
ment. No part of the Guaranteed Minimum Royalty or the Nonrefundable
Advance shall be repayable to Licensee.

C. On signing of this Agreement, Licensee shall pay Licensor a nonrefund-
able design fee in the amount of \$ _____ per Design. This fee
shall not be applied against royalties.

D. Licensor has the right to terminate this Agreement upon the giving of 30
days' notice to Licensee if the Licensee fails to pay any portion of the Guar-
anteed Minimum Royalty when due.

5. Books and Records

Licensee agrees to keep complete and accurate books and records relating to
the sale and other distribution of each of the Licensed Products. Licensor or
its representative shall have the right to inspect Licensee's books and records
relating to the sales of the Licensed Products upon 30 days' prior written
notice. Any discrepancies over 5% between the royalties received and the
royalties due will be subject to the royalty payment set forth herein and paid
immediately. If the audit discloses such an underpayment of 5% or more,
Licensee shall reimburse the Licensor for all the costs of said audit.

6. Quality of Licensed Products, Approval, and Advertising

A. Licensee agrees that the Licensed Products shall be of the highest standard
and quality and of such style and appearance as to be best suited to their
exploitation to the best advantage and to the protection and enhancement
of the Licensed Products and the good will pertaining thereto. The Licensed
Products shall be manufactured, sold, and distributed in accordance with all
applicable national, state, and local laws.

B. In order to ensure that the development, manufacture, appearance,
quality, and distribution of each Licensed Product is consonant with
the Licensor's good will associated with its reputation, copyrights, and
trademark, Licensor shall have the right to approve, in advance, the
quality of the Licensed Products (including, without limitation, concepts
and preliminary prototypes, layouts, or camera-ready art prior to produc-
tion of first sample and revised production sample, if any), all packag-
ing, advertising, promotional and publicity materials, and displays for the
Licensed Products.

C. On signing this Agreement, Licensee shall be responsible for delivering all

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items requiring prior approval pursuant to Paragraph 6B without cost to the Licensor. Licensor agrees not to withhold approval unreasonably.

D. Licensee shall not release or distribute any Licensed Product without securing each of the prior approvals provided for in Paragraph 6B. Licensee shall not depart from any approval secured in accordance with Paragraph 6B without Licensor's prior written consent.

E. Licensee agrees to expend at least _____ % percent of anticipated gross sales of the Licensed Products annually to promote and advertise sales of the Licensed Products.

7. Nonexclusive Rights

Nothing in this Agreement shall be construed to prevent Licensor from granting other licenses for the use of the Designs or from utilizing the Designs in any manner whatsoever, except that the Licensor shall not grant other Licenses for the use of the Designs in connection with the sale of the Licensed Products in the Territory to which this License extends during the term of this Agreement.

8. Non-acquisition of Rights

The Licensee's use of the Designs and Trademarks shall inure to the benefit of the Licensor. If Licensee acquires any trade rights, trademarks, equities, titles, or other rights in and to the Designs or in the Trademark, by operation of law, usage, or otherwise during the term of this Agreement or any extension thereof, Licensee shall forthwith upon the expiration of this Agreement or any extension thereof or sooner termination, assign and transfer the same to Licensor without any consideration other than the consideration of this Agreement.

9. Licensee's Representations

The Licensee warrants and represents that during the term of this License and for any time thereafter, it, or any of its affiliated, associated, or subsidiary companies will not copy, imitate, or authorize the imitation or copying of the Designs, Trade names, and Trademarks, or any distinctive feature of the fore-going or other designs submitted to the Licensee by Licensor. Without prejudice to any other remedies the Licensor may have, royalties as provided herein shall accrue and be paid by Licensee on all items embodying and incorporating imitated or copied Designs.

10. Registrations and Infringements

A. The Licensor has the right but not the obligation to obtain, at its own cost, appropriate copyright, trademark, and patent protection for the Designs and the Trademarks. At Licensor's request and at Licensee's sole cost and expense, Licensee shall make all necessary and appropriate registrations in the name of Licensor to protect the copyrights, trademarks, and patents in and to the Licensed Products and the advertising, promotional, and packaging material in the Territory in which the Licensed Products are sold. Copies of all applications shall be submitted for approval to Licensor prior to filing. The Licensee and Licensor agree to cooperate with each other to assist in the filing of said registrations.

B. Licensee shall not at any time apply for or abet any third party to apply for copyright, trademark, or patent protection that would affect Licensor's ownership of any rights in the Designs or the Trademarks.

C. Licensee shall notify Licensor in writing immediately upon discovery of any infringements or imitations by others of the Designs, Trade names, or Trademarks. Licensor in its sole discretion may bring any suit, action, or proceeding Licensor deems appropriate to protect Licensor's rights in the Designs, Trade names, and Trademarks, including, without limitation, for copyright and trademark infringement and for unfair competition. If for any reason Licensor does not institute any such suit or take any such action or proceeding, upon written notice to the Licensor, Licensee may institute

such appropriate suit, action, or proceeding in Licensee's and Licensor's names. In any event, Licensee and Licensor shall cooperate fully with each other in the prosecution of such suit, action, or proceeding. Licensor reserves the right, at Licensor's cost and expense, to join in any pending suit, action, or proceeding. The instituting party shall pay all costs and expenses, including legal fees, incurred by the instituting party. All recoveries and awards, including settlements received, after payments of costs and legal fees, shall be divided 75% percent to the instituting party and 25% percent to the other party.

11. Indemnification and Insurance

A. The Licensee hereby agrees to indemnify and hold the Licensor harmless against all liability, cost, loss, expense (including reasonable attorney's fees), or damages paid, incurred, or occasioned by any claim, demand, suit, settlement, or recovery against the Licensor, without limitation, arising out of the breach or claim of breach of this Agreement; the use of the Designs by it or any third party the manufacture, distribution, and sale of the Licensed Products; and for any alleged defects in the Licensed Products. Licensee hereby consents to submit to the personal jurisdiction of any court, tribunal, or forum in which an action or proceeding is brought involving a claim to which this foregoing indemnification shall apply.

B. Licensee shall obtain at its sole cost and expense product liability insurance in an amount providing sufficient and adequate coverage, but not less than \$1 million combined single limit coverage protecting the Licensor against any claims or lawsuits arising from alleged defects in the Licensed Product.

12. Grounds for and Consequences of Termination

A. Licensor shall have the right to terminate this Agreement by written notice, and all the rights granted to the Licensee shall revert forthwith to the Licensor and all royalties or other payments shall become due and payable immediately if:

i. Licensee fails to comply with or fulfill any of the terms or conditions of this Agreement;

ii. The Licensed Products have not been offered or made available for sale by Licensee _____ months from the date hereof;

iii. Licensee ceases to manufacture and sell the Licensed Products in commercially reasonable quantities; or

iv. The Licensee is adjudicated as bankrupt, makes an assignment for the benefit of creditors, or liquidates its business.

B. Licensee, as quickly as possible, but in no event later than 30 days after such termination, shall submit to Licensor the statements required in Paragraph 3 for all sales and distributions through the date of termination. Licensor shall have the right to conduct an actual inventory on the date of termination or thereafter to verify the accuracy of said statements.

C. In the event of termination, all payments theretofore made to the Licensor shall belong to the Licensor without prejudice to any other remedies the Licensor may have.

13. Sell-off Right

Provided Licensee is not in default of any term or condition of this Agreement, Licensee shall have the right for a period of _____ months from the expiration of this Agreement or any extension thereof to sell inventory on hand subject to the terms and conditions of this Agreement, including the payment of royalties and guaranteed minimum royalties on sales that continue during this additional period.

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14. Purchase at Cost

A. Licensor shall have the right to purchase from Licensee, at Licensee's manufacturing cost, such number of Licensed Products as Licensor may specify in writing to Licensee, but not to exceed _____ for any Licensed Product. For purposes of this Paragraph, "manufacturing cost" shall mean \$_____ per Licensed Product. Any amounts due to Licensee pursuant to this Paragraph shall not be deducted from any royalties, including any minimum royalties, owed to Licensor.

B. Licensee agrees to give the Licensor, without charge, _____ [number] of each of the Licensed Products.

15. Miscellaneous Provisions

A. Nothing herein shall be construed to constitute the parties hereto partners or joint ventures, nor shall any similar relationship be deemed to exist between them.

B. The rights herein granted are personal to the Licensee and shall not be transferred or assigned, in whole or in part, without the prior written consent of the Licensor.

C. No waiver of any condition or covenant of this Agreement by either party hereto shall be deemed to imply or constitute a further waiver by such party of the same or any other condition. This Agreement shall be binding upon and shall inure to the benefit of the parties, their successors, and assigns.

D. Whatever claim Licensor may have against Licensee hereunder for royalties or for damages shall become a first lien upon all of the items produced under this Agreement in the possession or under the control of the Licensee upon the expiration or termination of this Agreement.

E. This Agreement shall be construed in accordance with the laws of _____ [state]. The Licensee hereby consents to submit to the personal jurisdiction of the _____ Court, _____ County, and Federal Court of the District of _____ [federal court district in which Licensor resides] for all purposes in connection with this Agreement.

F. All notices and demands shall be sent in writing by certified mail, return receipt requested, at the addresses above first written; royalty statements, payments, and samples of Licensed Products and related materials shall be sent by regular mail.

G. This Agreement constitutes the entire agreement between the parties hereto and shall not be modified, amended, or changed in any way except by written agreement signed by both parties hereto. This Agreement supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral, between the parties hereto concerning the Designs. Licensee shall not assign this Agreement.

In witness whereof, the parties have executed this Licensing Agreement as of the date first set forth above.

Licensee [company name] _____

By [name, position] _____

Licensor _____