

# Licensing agreement liability insurance 101

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# Why is licensing such big business?



# What is a licensing agreement?

A formal written contract between parties allowing one party permission to use the intellectual property (IP) of the other(s).

In the context of this policy, an agreement a company will enter into which allows them to use specified piece of content (e.g. logos, trademarks, images, likeness or artwork) for commercial use.

**Example:** Celebrity names and signatures can be registered as trademarks. A cosmetics brand wants to use a celebrity's signature on one of their products in order to promote it. The celebrity will sign an agreement for the brand to use their trademark for a defined period of time, in a defined territory and potentially only for a specified product, for a defined fee.

# Examples

MAC cosmetics license in Dita Von Teese signature and image for cobranded lipstick



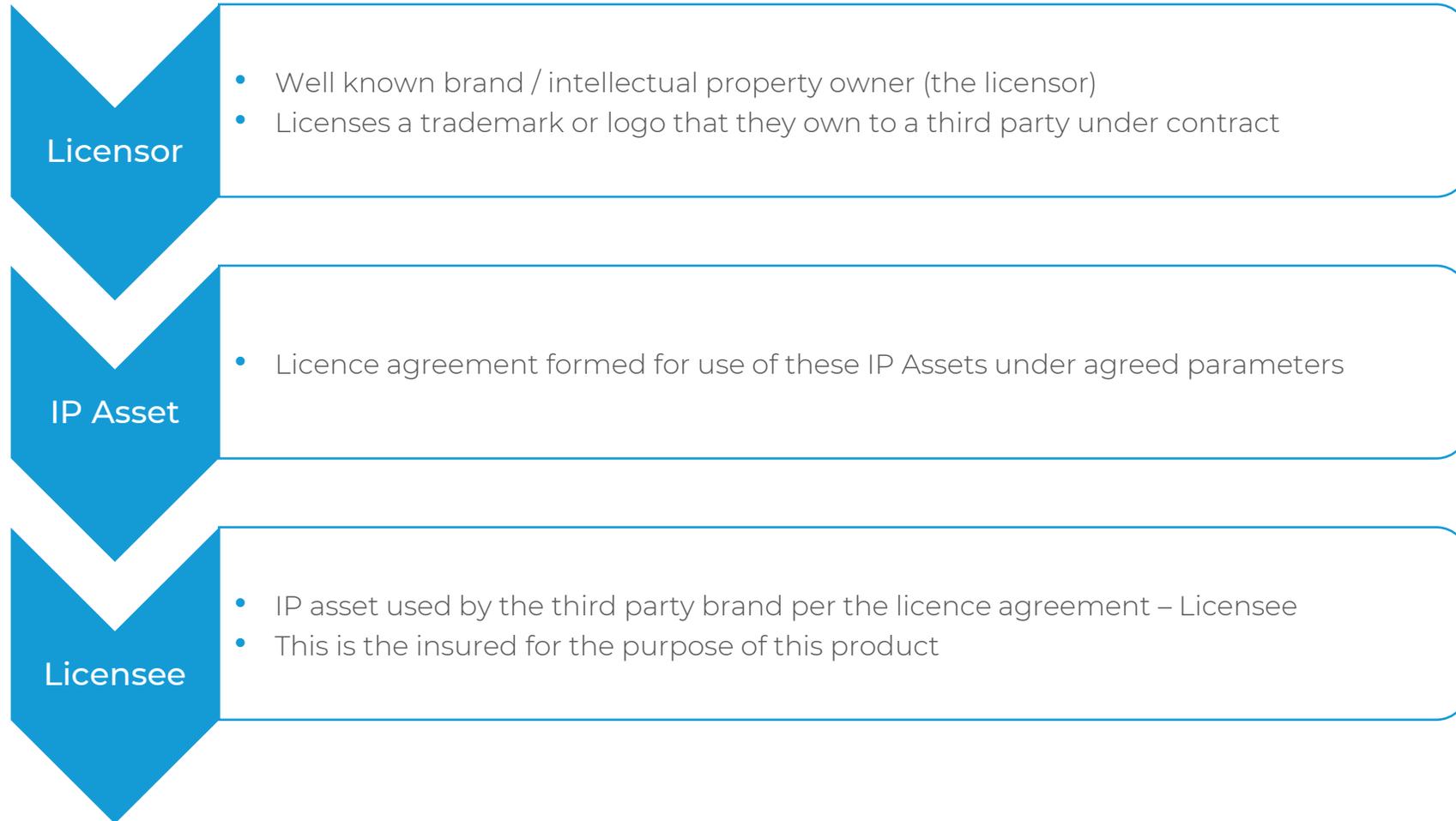
Loungely partner with Major League Baseball to create branded backpacks



Sundown Naturals Kids licenses in Disney images to make kids' multivitamins more attractive



# The players and the game



# A real-life example – what to look for

License agreement between a sports league (licensor) and a US based pet food manufacturer (licensee)

8. **INSURANCE:** Licensee must obtain, and continuously maintain throughout the License Period and Sell-Off Period, at its own expense, the following insurance policies in the amounts specified in **Schedule M** worldwide to protect against any claims or suits arising out of any of the circumstances described in Paragraph 7(C) above.

A. Workers' Compensation Insurance (or its equivalent in the country in which it operates) in compliance with state or provincial laws, covering employees, volunteers, temporary workers and leased workers including Employers' Liability.

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B. An Insurance Services Office (or its equivalent) occurrence based Commercial General Liability Insurance Policy, providing coverage for bodily injury and property damage and personal and advertising injury including contractual liability and products/completed operations liability coverage. Products completed/operations insurance shall be maintained for a minimum period of three (3) years after final payment and Licensee shall continue to provide evidence of such coverage to Licensor on an annual basis during the aforementioned period. Limits may be evidenced by any combination of primary and excess/umbrella follow form policies.

C. Media Liability or equivalent Professional/Errors' & Omissions' Liability Insurance to cover third-party claims of intellectual property rights infringement including but not limited infringement of trademark, copyright, trade name, trade dress, slogan, etc. type claims, as well as rights of publicity claims.

The agreement grants the licensee the right to use league's logos and certain trademarks on pet treats for distribution in US only for 2 years

# Who buys this cover?

Manufacturers

Athletes or celebrities  
entering sponsorship  
or endorsement deals

Restaurants, hotels  
and venues

Retailers

Organisers of events

Any business licensing  
in content who would  
not ordinarily buy  
Professional Liability



Why do your  
clients need this?

# Other types of agreement

The CFC policy will also cater for IP transfers in the form of:

## **Sponsorship agreements**

A contractual agreement between a brand and an individual or entity where the brand pays a sponsorship fee to ensure the wear or use their brand/product, often created in order to promote brand awareness and/or consumer use of that brand/product

## **Endorsement deals**

Endorsement deals are quite similar to a sponsorship agreements, these contracts detail the agreement between brands and celebrities paid to represent the brand. These contracts will often contain specific moral clauses to limit and handle activity that could be seen as a negative reflection of the brand.

## **Naming rights agreements**

A contract between the naming rights holder (usually the owner of the stadium/restaurant or whatever is being named) and another private entity, the corporate sponsor (e.g. The O2 Arena in London or Mercedes-Benz Stadium in Atlanta)

# Key exposures

- Intellectual property infringement (defence and subrogation)
- Breach of contract
- Moral clauses
- Exclusivity clauses

# The CFC solution

CFC's licensing agreement liability policy offers cover for breach of a licensing agreement between a Licensor and a Licensee for the use of content such as images, logos, trademarks, graphics and animations.

The cover is requested for either:

- One specific licensing, sponsorship or endorsement agreement / contract or;
- Annual licensing, sponsorship or endorsement agreements between multiple brands and the proposer

**CFC has a very specific and clear wording**

A fit for purpose, sensible and speedy option covering exactly what is being requested and nothing more.

**One insuring clause. Intellectual property licensing agreement liability split into:**

**Section A:** Breach of the contractual agreement between licensor and licensee

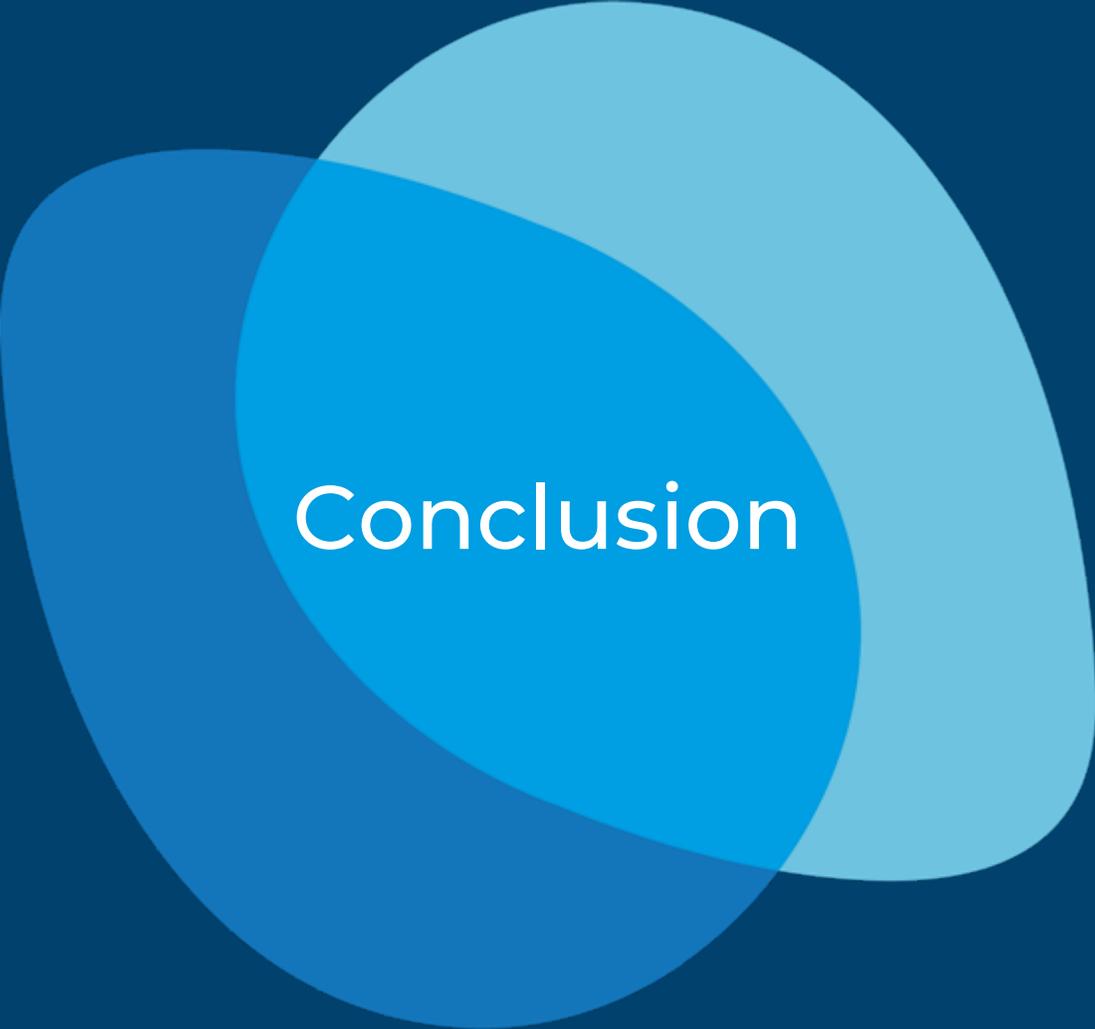
**Section B:** Intellectual property rights infringement.

**Section C:** Reputation and brand protection

**Section D:** Court attendance costs

Global reach –  
CFC have the  
ability to write  
business in over  
100 countries

Minimum  
premiums start  
at £/\$/€2,500



Conclusion

Questions?

