

**GUIDE TO THE LICENSING OF TRADE MARKS  
IN THE BRITISH VIRGIN ISLANDS**

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A trade mark that is registered in the British Overseas Territory of the Virgin Islands (the "**British Virgin Islands**") may be licensed for use by the trade mark owner, or sub-licensed by a licensee (both cases herein referred to as the "**licensor**"). The license to use a trade mark may be either in connection with the goodwill of a business or independently, or in relation to some or all of the goods or services for which it is registered or limited to a particular length of time, a particular manner of use or a particular geographical area. This guide only relates to the licensing of trade marks where the geographical area of the license covers the British Virgin Islands and the considerations that are necessary where a trade mark is licensed for use in the British Virgin Islands.

Although registration of licenses is not mandatory in the British Virgin Islands they provide adequate notice to third parties, especially to assignees or other successors in title to the licensor who are bound by the license in the same manner as the licensor. This is mandatory for an exclusive license but any other type of license which may provide for the means by which a successor in title becomes bound by the license. Therefore, it becomes important for the proper administration of the trade mark rights to register licenses for their use in the British Virgin Islands, especially since unregistered licenses are vulnerable to later dealings or other persons claiming a similar right.

Whether or not the license is registered, a license is not effective unless it is in writing and signed by or on behalf of the licensor. The effect of having a license is that it could counter allegations of non-use in the British Virgin Islands. A trade mark owner may register a trade mark in several classes, without relying on a defensive trade mark application, for the sole purpose of entering into merchandising, franchising or distributorship agreements with a person who holds a trade license in the British Virgin Islands or conducts international business through the internet where the currency used for conducting the online transaction is the United States dollars and they provide for shipping any goods directly to the British Virgin Islands. The license created within those agreements would serve to satisfy the use requirements, so long as it does not amount to use made by the trade mark owner or any third party with the trade mark owner's consent that would mislead the public, particularly as to the nature, quality or geographical origin of the goods and/or services. If on the evidence the public is liable to be misled then the trade mark, once it is not a defensive trade mark, is liable to revocation by the Registrar or the Courts.

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An application to register, amend or remove a license in the British Virgin Islands must be in **Form TM14** and should be submitted on behalf of the licensee, along with the registration fee of US\$100.00 or an amendment or removal fee of US\$75.00. A separate application must be made for each license, but the same application may be used for several trade marks if they are covered by the same license. The application should also be signed by the licensor and the trade mark agent for the licensee but if it is not possible for the licensor to sign the application form then appropriate documentary evidence of the license must be provided with the application. In the case of an application to amend or remove a license the application must be signed by both the licensor and the licensee to avoid having to submit the documentary evidence. This documentary evidence would include an authenticated copy of the license, such as the merchandise agreement, franchise agreement or distribution agreement, or any amendment to it or termination of it, or a court order. The signature of the licensor and licensee, if a body corporate, must be that of a director, secretary or other principal officer of the body corporate unless some other person can satisfy the Registrar of their authorization to sign it.

Unless it involves a BVI company, a license (whether registered or not) also attracts a stamp duty of \$5.00, but see below with respect to an exclusive license. There are no other applicable taxes, and the royalties payable under the license would be treated as ordinary income or ordinary expense to the extent that they are monies actually or constructively received from the licensee or paid to the licensor.

#### **(a) Exclusive Licenses**

The most consequential type of license is the exclusive license by which the trade mark owner also promises that they will not grant any other licenses and that they will not exploit the trade mark themselves in the British Virgin Islands. In effect, an exclusive license confers a right in the trade mark to the exclusion of all other persons, including the trade mark owner or any successor in title, as if the exclusive license had been an assignment with all the rights and remedies to the extent provided in the license. Most significantly is that an exclusive licensee can sue infringers without having to persuade the proprietor to take action on their behalf.

If the license is an exclusive license, this should be noted under Part 8(b) of Form TM14. Where that is the case, the license may be treated as an assignment of the trade mark, which for stamp duty purposes (where a BVI company is not involved), is a conveyance or transfer and attracts a stamp duty of \$5.00. However, if the licensor does not sign Form TM14 and the entire exclusive license has to be produced then valuation advice on the BVI trade mark is necessary since it may attract ad valorem stamp duty at four percent (4%) of the consideration or the market value of the trade marks, whichever is higher.

An exclusive license may be important where considerable investment in the establishment of a retail outlet in the British Virgin Islands is involved. Therefore,

having a degree of control over the British Virgin Islands market may be important to the licensee. Where the British Virgin Islands is normally not considered an economy of scale for most goods and/or services, in the absence of an exclusive license it would make the risk of investment in certain fields of economic activity impractical, since the investor would not only have to compete with other persons doing business in the same market with the same type of goods and/or services, but also with persons using the same brand.

### **(b) Merchandise Agreements**

A trade mark may be licensed to a manufacturer, including a T-Shirt maker, in the British Virgin Islands to make a product and apply the trade mark to that product, for example, in personality and character merchandising. The protection of celebrity names and images as well as those of fictional characters is possible in the British Virgin Islands. Therefore, where celebrities and fictional characters are used to endorse and associate themselves with products and services, it is possible to manage their trade marks from abuse. All that is required is the registration of the trade mark in the British Virgin Islands which is the world's premier corporate domicile of choice. Also, if a souvenir shop in the British Virgin Islands sold articles of clothing using the name or image of a celebrity or fictional character to a tourist the trade mark owner can initiate infringement proceedings once the trade mark is registered since the British Virgin Islands is one of the top ten (10) tourist destinations in the Caribbean by tourist arrivals in 2014.

It, therefore, becomes necessary to ensure that after a trade mark is registered a merchandise agreement is entered into with an entity that holds a trade license in the British Virgin Islands, except under certain other limited circumstances, that clearly identifies the trademarks, with specific reference to their registration numbers. It is incumbent on the licensee to ensure, before executing the merchandise agreement, that the trade marks are registered with respect to the goods and/or services for which the merchandise agreement relate, i.e., the licensed products. The specific licensed products should be clearly identified. The licensor should seek to retain control over the licensed products with a right to approve any changes or otherwise setting restrictions on changes to the licensed products. There will also be considerations for royalties to be paid in relation to the licensed products. There should be a clear determination as to when a sale has taken place and when and how often statements and payments are to be made, as well as auditing requirements.

It is critical that the agreement require the licensee to ensure that proper trade mark notices that comply with the laws of the British Virgin Islands are included on the licensed products or on labels or tags attached to the licensed product since it is an offence to falsely represent that a trade mark is registered or registered in relation to the particular goods and/or services. As indicated earlier, it is essential

for the licensee to ensure that the trade mark is not only registered but also registered in relation to the goods for which the merchandise agreement relates.

### **(c) Franchise Agreements**

There are no franchise-specific laws in the British Virgin Islands and contracts are governed by the common law, although government policy may prohibit franchises in certain fields of economic activities, such as fast food restaurants, which would be subject to obtaining approval for a trade license. A franchise agreement will provide the framework for the contractual obligations between the franchisor and franchisee. The franchisor will usually provide the corporate branding which includes the trade mark and would regulate advertising, training, premises, know-how, and provide support services.

The franchise agreement would take the form of either: (a) an industrial franchise agreement, for the manufacture of goods; (b) a distribution franchise agreement, for the sale of goods; or (c) a service franchise agreement, for the supply of services. In the British Virgin Islands the franchise agreement will normally be of the latter two (2) types since the economy is more service oriented. Regardless of the type of franchise agreement it will consider royalties, a franchise fee, other fees, sales, accounting, auditing, confidentiality and secrecy provisions intended to secure know-how. There would normally be no guarantees or warranties in a franchise agreement and the franchisor is normally fully indemnified from claims against the franchisee. The licenses created by a franchise agreement would normally be limited as to time even if they are exclusive.

### **(d) Distribution Agreements**

The most common form of a license in the British Virgin Islands would be through distribution agreements. A distribution agreement creates the channel through which a producer regulates how its goods enters the British Virgin Islands market, and may also refer to a dealership agreement. The agreement will usually be limited to time and to geographical area, even if it is exclusive. It will also consider various terms and conditions of sale, performance, reporting and termination. Similar to a merchandise agreement, the distribution agreement should require the licensee to ensure that proper trade mark notices that comply with the laws of the British Virgin Islands are included on the licensed products or on labels or tags attached to the licensed product since it is an offence to falsely represent that a trade mark is registered or registered in relation to the particular goods and/or services. As a result, all the considerations relevant to a merchandise agreement would similarly be relevant in a distribution agreement. However, in a distribution agreement it may be necessary to coordinate the launch date of a new product in a particular geographical area that includes the British Virgin Islands, usually when a product is launched in the United States of America. There should, therefore, be a provision for the simultaneous introduction and sale dates in the British Virgin Islands, or to ensure that shipment of a particular product takes place at a specific

time to ensure that they arrive in the British Virgin Islands in time for the sale dates.

### **(e) Parallel Imports**

Trade marks are territorial in nature, so that although a licensor may have rights in one jurisdiction that same licensor may have no rights in the British Virgin Islands. As a result of the territorial nature of a trade mark, a licensor has the right to prevent the importation of goods bearing the mark into the British Virgin Islands. A licensor may wish to segment the market for a particular product and prevent parallel importation. This also helps to strengthen a licensor's arsenal against counterfeit goods, especially since it can be difficult to differentiate between legitimate and counterfeit goods during importation in a country like the British Virgin Islands that comprises of over thirty (30) islands and cays surrounded by large bodies of water, and is usually used as a transshipment point into the larger United States market.

A licensor may prevent any dealings with its trade mark where the condition of the goods has been changed or impaired after being placed in the market, usually through a distribution agreement. For example, a licensor that manufactures and sells televisions under a particular registered trade mark through a distributor in French St. Martin which uses European electrical sockets, may wish to prevent someone else from exporting the television from French St. Martin to the British Virgin Islands, opening the packaging, adding adaptors to enable the television to work in the British Virgin Islands which uses U.S. electrical sockets, and selling the repackaged television in the British Virgin Islands. The trade mark owner can object to the resale of the television where the adaptor is of a different standard to that which would be sold with a television in the British Virgin Islands, at least if the repackaged television does not clearly indicate the origin of the new adaptors, and thereby undermining the ability of the trade mark owner to control the quality of products placed on the market under its trade mark.

Similarly, a licensor can prevent the parallel importation of repackaged goods, even where a repackaged product is put up for sale in the British Virgin Islands in new packaging to which the licensor's trade mark has been affixed. This can help to prevent counterfeit goods being sold in the British Virgin Islands. Also, the mere advertising of products in the British Virgin Islands where the person does not have a distributorship agreement with the licensor covering the British Virgin Islands can also make the seller liable to the licensor for infringement.

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