

Municipal Licensing

A Municipal Licensing Program permits cities and other municipal entities to supplement ordinary revenue streams through licensing of their intellectual property rights. Such programs also are an important means for a municipality both to protect its intellectual property rights and to control the manner and extent to which its image is publicized. Sullivan & Worcester's intellectual property team is the pioneer in the area of municipal licensing, having created and launched the first such licensing programs for the New York City Police Department and New York City Fire Department, whose "NYPD" and "FDNY" trademarks have become world-wide symbols for the City of New York and are among the most widely recognized trademarks in the United States.

A municipal licensing program generates revenue primarily through the sale of licensed merchandise bearing the trademarks and copyrighted logos associated with municipal agencies, landmarks and slogans. The companies licensed to manufacture and sell such merchandise pay to the municipality, in the form of a royalty, a percentage of their income from the sale of licensed products. In addition, revenue can be generated by exploiting sponsorship opportunities (such as "official" municipal products) or through exclusive supplier contracts. The licensing program may also monitor and control other third-party uses of the municipality's intellectual property, such as police or fire department trademarks used in television shows and movies.

Municipal licensing programs begin with a comprehensive review of the status and enforceability of all municipal intellectual property. Where appropriate, protection of such property through state, federal and/or international registration is accomplished. The next step in the program is to determine which properties to license, select the most efficient means to administer the day-to-day operation of the program (either internally or through retention of a professional master licensing agent), and negotiate license agreements. Finally, enforcement efforts are necessary to protect intellectual property rights and to provide licensees with assurance that the value of their licenses will not diminish as a result of unauthorized or infringing activity.

Successful licensing programs such as those implemented by the NYPD and the FDNY pay for themselves: the costs and fees incurred in establishing and operating the licensing program are recovered through royalties and other licensing revenues, with the municipality (or designated agencies) receiving the vast majority of the funds generated by the program. Our programs on behalf of the NYPD and FDNY operate through tax exempt 501(c)(3) corporations, set up to accept charitable contributions for the benefit of these municipal agencies. This allows the programs to avoid the competitive bidding process and other bureaucratic restrictions that can severely delay implementation of the program and discourage prospective licensees. The exact structure of each licensing program will be determined by each municipality's specific regulations.

A successful municipal licensing program, following the above criteria, ensures that the municipality is able to generate much-needed revenue through a comprehensive licensing program while retaining control and ownership over its intellectual property rights.

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If you are interested in finding out more about whether a municipal licensing program would be appropriate for your city, please contact Jeffrey Laytin at 212 660 3036 (jlaytin@sandw.com)

