crucial factors to be taken into account. These are the degree of exclusivity of the licence, size of licence-based revenue streams (royalties) and scope and object of licence and their inter-relation with the parties' respective business strategies.

5.13.2 Delimitation or Coexistence Agreements

Coexistence or delimitation agreements⁸¹⁴ serve the purpose of resolving present and preventing future conflicts by clarifying the practical application of two or more conflicting trade marks.⁸¹⁵ Instead of solving the conflict in court, the parties have chosen the alternative of saving cost and time, giving up part of their initially envisaged trade mark scope and receiving legal certainty in return. This shows that such agreements cannot function without a – at least to some extent – positive attitute of all parties towards each other and each other's trade mark rights. Such attitude is likely to be fostered by the fact that a Community trade mark application can founder on just one conflicting national mark, Art. 42 CTMR.

Delimitation agreements typically stipulate that the younger mark may only be registered and used for a limited number of goods and/or services and that no rights arising from it may be enforced against the proprietor of the prior mark. In return, the latter tolerates the registration and use of the younger mark and withdraws a potentially filed opposition.⁸¹⁶

The ECJ has recognised delimitation agreements as admissible and advantageous, provided they merely serve the purpose of avoiding confusion and conflicts and do not intend market allocation or other restraints of competition.⁸¹⁷

Such contracts are of considerable practical significance. Experience has shown that in the case of approximately half of all German applications a delimitation agreement will be concluded at some stage. 818 Of the 12,208 closed opposition cases before OHIM, 7,782 were settled without an Office decision and likely by delimitation agreement. The two-month cooling-off

- 814 Cf. Art. 43(4) CTMR.
- 815 Degen, Die Bewertung von Marken aus rechtlicher Sicht, p. 112.
- 816 Harte-Bavendamm/von Bomhard, GRUR 1998, 530, 530.
- 817 ECJ, judgment of 30 January 1985, Case 35/83, [1985] ECR 363, BAT Cigaretten-Fabriken GmbH v. Commission of the European Communities *Toltecs/Dorcet II*.
- 818 Harte-Bavendamm/von Bomhard, GRUR 1998, 530, 531.

period after filing of the opposition and prior to the contradictory phase⁸²⁰ is conducive to this circumstance.

Delimitation agreements can have a positive impact on brand value if they resolve existing or impending conflicts which jeopardise the existence of the trade marks in question. Therefore, they help ensure the legal side of brand-related freedom to operate. Furthermore, they significantly help reduce cost, which would be a brand value detractor.

5.13.3 Findings – Relation to Brand Value

A licencing agreement can be conducive or detrimental to brand value, depending on its content, mode of execution, market success and the perspective from which the brand is being valued (this will usually be the proprietor, not the licensee). The amount of royalties paid and due adds to brand value. In general, the amount of royalties rises with the degree of exclusivity. Whether or not the proprietor has chosen to convey the appropriate degree of exclusivity to the licensee (thereby enhancing his brand's market penetration and publicity and thus its value) must be assessed in each individual case. This shows that it would be precarious to merely look at the monetary side in order to assess whether a specific IP licencing contract adds to the value of the IP right: an exclusive licence (in the strict sense) may create a substantial royalty stream for the licensor but at the same time impose a deadlock on his side which prevents him from exploiting the licenced right in a beneficial way himself, particularly if the licensee defaults and the licence agreement does not specify that the exclusivity turns into non-exclusivity in this case.

Contracts of licence have a positive impact on brand value if they enable a proliferation of the trade mark and brand in a way which the licensor would not be able to. A symbiosis of licensor and licensee in this sense could for instance be conducive if the licensee has access to distribution channels different from those of the licensor, and complementing them in a useful way.

A negative impact of a brand licencing contract on the asset's value can

⁸¹⁹ Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM), Statistics of Community Trade Marks 2007, p. 5.

⁸²⁰ Rule 18(1) Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Council Regulation (EC) No 40/94 on the Community trade mark, OJ L 303, 15.12.1995, p. 1. If the parties close the opposition proceedings during the cooling-off period, OHIM takes no decision on costs, Rule 18(4) of the same Regulation.

occur in cases in which the contract is concluded to the effect that it does not leave enough room for brand building and development. For example, an exclusive licencing agreement regarding a combination mark for clothing with ten years of duration may hinder the licensor from developing an online marketing strategy if this has not been foreseen and provided for in the contract itself. Furthermore, every licensor needs to carefully deal with the issue of quality in order to prevent the goods or services marked with the licenced brand to fall behind the quality the licensor envisages or provided before he licenced out the brand, as product and/or service quality problems can substantially damage the value of the brand. Therefore, quality standard clauses can be found commonly in licencing contracts.⁸²¹

Hence, the valuator must assess both quantitative and qualitative licencing-related brand value influencers – expected and factual royalty income streams as well as the abovementioned strategic factors. Licencing-related value factors can only "make or break" brand equity in extreme situations such as the deadlock in case of an exclusive licence and default of the licensee mentioned above. In general, they affect brand value on a sliding scale which must be assessed by an expert on a case-by-case basis.

As delimitation agreements are highly important in practice, it should be assessed within the legal dimension whether conclusion of such an agreement is expedient and has been or is expected to be made. Such contracts generally increase brand value, since they are considerable time and cost savers.

5.14 Trade Mark Surveillance and Genericide Prevention

As well as a pre-registration search is necessary in order to prevent collision and secure one's own lawful trade mark space, post-registration monitoring is essential in light of the same purposes.⁸²² Ideally, any trade mark proprietor should observe others' possibly infringing activities in the area of identical and/or similar signs, goods and/or services in order to be able to take appropriate legal action as early as possible. Potential infringement needs to be

⁸²¹ Cf. Fammler, Der Markenlizenzvertrag, p.117 et seq.; $Gro\beta$, Marken-Lizenzvertrag, pp. 8, 21.

⁸²² This has become particularly important in the on-line world where trade mark infringement is rampant, be it on websites, in blogs, videos, through ad words, meta tags, in virtual worlds such as *Second Life*, or other.