


UNIVERSITY OF HAWAI'I

EXECUTIVE POLICY - ADMINISTRATION

Jan. 1983

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 E8.205 Indicia and Licensing Policy

I. INTRODUCTION

Under Section 304.2, Hawai'i Revised Statutes, 1976, as amended, the University of Hawai'i by its Board of Regents and acting through its President has the power to enter into contracts on terms it deems appropriate and to manage its property. In order to take advantage of revenues generated by Indicia such as logos, seals, symbols, and other things identified with the University of Hawai'i, a licensing policy is hereby established.

II. OBJECTIVES

The object is to establish Systemwide controls for University-owned Indicia, and permit manufacturers, and related commercial entities the use of such Indicia on products, subject to the terms and conditions of licenses issued by the University.

The control objectives are to insure that:

- (i) Any product incorporating University Indicia is of good quality, and in good taste, thus reflecting favorably upon the University and the State;
- (ii) The University is reasonably compensated through royalties when its Indicia are used for the financial benefit of private enterprise; and
- (iii) The University exercises the discretionary use of Indicia in a responsible, equitable, and controlled manner in the public interest, and under conditions that will not jeopardize its position as a tax-exempt institution, and possibly subject it to I.R.S. inquiry on the grounds that it is generating unrelated taxable business income.

III. POLICIES

- A. LICENSING PROGRAM COMMITTEE: This Policy and any license granted thereto shall be under the direction, strict supervision, and control of a Licensing Program Committee appointed by the Vice President for Administration, hereinafter referred to as "COMMITTEE."
- B. DEFINITION, INDICIA: The Indicia to which this Policy relates are defined as, but not limited to, the name, seal, logos, symbols, initials, designs, logographics, other abbreviations, etc., developed by or associated with the University, or any college, school, department, and activity, etc., within the University System, and which may be applied to items manufactured for sale to the public.
- C. CATEGORIES, INDICIA: Indicia fall into two basic categories as follows:
1. Those works in which the University owns the copyright, and qualify for the relatively simple registration process under the Federal Copyright Law (17 U.S.C. 101, et, seq.). These works generally include creative pictorial and graphic works, e.g. two-dimensional works of fine, graphic, and applied art, photographs, prints, maps, diagrams, etc. In these cases, the University shall initiate Copyright Registration to protect its interests, prior to the negotiation of any license; and
 2. Those de minimis works in which creative authorship is slight such as names, titles, slogans, letterings, colorings, etc., which would not qualify for copyright. These Indicia are more properly subject to State of Hawai'i Trademark Registration (Chapter 482, H.R.S.) if the use is limited to intrastate; and concurrent State registration, as well as Federal registration under the Federal Trademark Act of 1946 (15 U.S.C. 1051-1127) if the use is in both intrastate and interstate commerce. In these cases, licenses will be negotiated that shall require LICENSEES to advance the costs and obtain appropriate registrations in the name of the University.
- D. LICENSES/MINIMUM STANDARDS: Exhibit A contains two basic sample skeletal license formats which shall be used, as appropriate, in each of the above situations; these will be controlled, numbered, and released for negotiation with LICENSEES in each case pursuant to the instructions of the Committee by the Manager, Procurement and Property. The minimum standards applicable to these licenses, and which shall be met by each LICENSEE are established as follows:



1. With respect to University copyrighted material each LICENSEE shall be required concurrently with the execution of the License to pay the University a minimum advance royalty of ONE HUNDRED DOLLARS (\$100)
2. With respect to University de minimis works which do not qualify for Copyright Registration each LICENSEE shall be required to initiate and effect appropriate Trademark Registration (State and Federal), and advance all registration and related costs
3. Each LICENSEE shall be limited to a THREE (3) year nonexclusive license; and
4. Each LICENSEE shall pay a minimum reasonable annual royalty of SIX PERCENT (6%) on the selling price of each item sold

E. GENERAL LICENSING GUIDELINES¹

1. The Licensing Program shall not be geared toward the aggressive development of revenue producing channels, but shall simply be responsive to the voluntary solicitations of private enterprise for Indicia use;
2. The Program shall be limited to the realization of incidental and reasonable royalties to be used for the educational training, Public service research and related activities and benefits of students and the public;
3. The University shall scrupulously avoid direct involvement in promotion and financial support of commercial products;
4. Licensing shall be accomplished wherever possible on a nonexclusive, limited term and nondiscriminatory basis; Exclusive Licenses shall be avoided except where it is clearly demonstrated that it is the only practical way through which the public interest can be furthered; and

¹ Strict compliance with these Guidelines is essential to protect the University in the event of I.R.S. inquiry with regard to the generation of unrelated trade or business taxable income I.R.S. 512 (b) (2), and 513 (a) (2).

5. The terms of each license shall reflect clearly that: The income is in fact a "ROYALTY," i.e. passive and incidental in character reflecting only a reasonable share of the profit reserved by the University in consideration of the privilege granted another to exploit; the University is not sponsoring, endorsing, or supporting the LICENSEE, and is not a joint venturer with LICENSEE; and the University can effectively protect its dignity, integrity, and public image by inspecting and approving in advance the quality and type of merchandise on which Indicia are to be used, and that they are in good taste, and will reflect favorably on the University.

F. INTERNAL PROCESSING AND CONTROLS

1. The Manager, Procurement and Property, or his designee, hereinafter "MANAGER" is designated as the control point, and the individual authorized to receive all referrals from University Systemwide activities of proposals received from commercial firms for Indicia use, and the MANAGER is charged with responsibility to submit any such proposal to the COMMITTEE for recommendation;
2. The COMMITTEE shall review such proposals, forward its recommendations to the MANAGER for transmittal to the appropriate individual (Dean, Director, etc.) in the University activity from which the referral was received.

Assuming the COMMITTEE recommendation is favorable, the MANAGER shall provide the activity a numbered copy of the License format determined by the COMMITTEE to be appropriate for the particular transaction, and request that negotiations with the proposed LICENSEE proceed, with such assistance from the Manager, Procurement and Property, or his designee, as may be required;

3. Upon conclusion of negotiations with the LICENSEE, the Draft License shall be submitted in duplicate by the appropriate individual in the activity involved to the MANAGER for submission to the COMMITTEE for review. The COMMITTEE may either reject the license, or make a recommendation to the Vice President for Administration that the License be accepted and executed by the Vice President for Administration or his designee.
4. Upon execution by the University, the License shall be returned, via the MANAGER, to the University activity concerned. The activity shall obtain the necessary signature of the LICENSEE, collect the advance royalty required, and submit the payment and a fully executed original copy of the

License to the MANAGER for record keeping, control, and monitoring purposes; and

5. All license royalty revenue realized shall be placed in an ACCOUNT established in the REVENUE UNDERTAKING SPECIAL FUND (S. 355) under the control of the Vice President for Administration or his designee. Distributions from this ACCOUNT for the benefit of the University activity involved shall be made upon a request from the appropriate individual in the said activity directed to the Vice President for Administration or his designee.

NONEXCLUSIVE MERCHANDISING LICENSE
BETWEEN THE
UNIVERSITY OF HAWAI'I
AND

TO MAKE AND SELL WITH ROYALTY
(COPYRIGHTED MATERIAL/USE ON MERCHANDISE)

THIS AGREEMENT made and entered into this _____ day of 19__ , between the University of Hawai'i for _____ at _____, hereinafter called the LICENSOR, and the _____ Corporation, a corporation organized under the law of the State of _____ having its principal office at _____, hereinafter called the LICENSEE.

W I T N E S S E T H:

WHEREAS, the UNIVERSITY OF HAWAI'I has created and owns the copyright in _____, which the UNIVERSITY has registered (or is in the process of registering) in the Copyright Office, Library of Congress, Washington, D.C., 20059; and

WHEREAS, the LICENSEE is desirous of securing the nonexclusive right to manufacture and sell the _____ on _____ (Describe Merchandise) in and throughout the _____ (Describe Territory).

NOW, THEREFORE, for and in consideration of the premises and the mutual considerations hereinafter set forth, the parties hereto have agreed and do hereby agree as follows:

- 1. The LICENSOR grants unto the LICENSEE the nonexclusive and nontransferable right to make and sell in and throughout the _____, the on _____, (Territory) (Merchandise) from this date forth for a period not to exceed _____ years from the date of this LICENSE.

2. The LICENSEE agrees:

- (a) That LICENSEE will permit the manufacture and sale of the _____
_____ only on _____;
(Merchandise)
further, LICENSEES will undertake the same in a manner which will preserve the integrity and dignity of the LICENSOR, and assure LICENSOR that the _____ are of high quality, and in good taste. In this regard, prior to any manufacture or sale, LICENSEE shall provide LICENSOR, free of cost for its inspection and approval, a sample thereof, and such shall be deemed accepted if LICENSOR fails to provide written exception within two weeks following receipt;
- (b) To directly engage in the manufacture and sale of the _____
_____ on _____, and to use reasonable efforts to advertise, make known to the trade and supply the demand therefor;
- (c) To pay the LICENSOR (i) an advance royalty stipulated in Subsection (e), infra, and in addition (ii) a royalty of _____ percent (%) of the selling price on each _____ which shall be sold by the LICENSEE and paid for by the person to whom it is sold, which shall be sold under the authority of the LICENSEE during the life of this Agreement; said stipulated advance royalty, and the royalty on the selling price shall be paid and distributed by LICENSEE to the LICENSOR;
- (d) To keep full and true records of all sales of _____; and for the purpose of inspection and audit, permit the LICENSOR access to its books and records concerning sales of _____ at all reasonable times hereafter during the life of this Agreement.
- (e) To pay LICENSOR concurrently with the signing of this LICENSE an advance royalty of _____ DOLLARS (\$ _____), made payable to _____;
- (f) To pay the royalty on the selling price stipulated above in (c) (ii) to LICENSOR, made payable to _____ as follows: On or before the 31st of March each year, LICENSEE shall pay to LICENSOR the royalty upon all paid for during the preceding year,

- (g) That, in consideration of the nonexclusive and nontransferable license herein granted, and notwithstanding the royalties above specified, LICENSEE shall be Obligated to LICENSOR for and pay royalties in an amount of not less than _____ DOLLARS (\$) a year;
 - (h) To mark all _____ used on _____ manufactured and sold with an appropriate, clear and visually perceptible copyright notice: "© 19_____ UNIVERSITY OF HAWAI'I",
 - (i) To not assign this license, or subassign any portion hereof unless written approval is granted by the LICENSOR;
 - (j) That nothing herein shall imply that LICENSEE is sponsored, endorsed, or supported by LICENSOR, nor shall anything herein be construed to constitute the parties joint venturers; and
 - (k) To defend, indemnify, and hold harmless LICENSOR, its officers, employees, and agents from any and all claims and liabilities caused by or arising from LICENSEE's business transactions, and related activities, and workmanship, materials, or design of any item manufactured and sold pursuant to this Agreement.
3. The right is further granted to the LICENSEE to stamp, designate, and advertise _____ under such names, designs, or appellations as LICENSEE shall determine, provided they are approved by the LICENSOR in accordance with Paragraph 2 (a) supra.
 4. In the event that the LICENSEE shall not faithfully perform any and all of the obligations by LICENSEE to be performed under this Agreement, the LICENSOR shall have the right to terminate and cancel this Agreement if the default shall continue for more than THIRTY (30) days after written notice thereof to the LICENSEE. The cancellation by the LICENSOR shall not release the LICENSEE from its obligation to pay the minimum royalties accrued prior to such cancellation.
 5. The LICENSEE shall have the right to terminate this Agreement at any time hereafter on ONE HUNDRED EIGHTY (180) days written notice to the LICENSOR, such written notice to be deemed sufficient-if given to _____ by sending the notice through the United States mails. In the event of such termination by the LICENSEE, LICENSEE shall have a reasonable time in which to dispose of such _____ as it shall have manufactured and have on hand at the time of such termination.
 6. The LICENSOR, concurrently herewith, specifically reserves and retains the right to license such other manufacturers as LICENSOR may elect from time to time to manufacture and sell the said on similar or other merchandise, and in the same or other territory.

7. If within TWO (2) years from the date of this License no sales have been effected, this License shall be null and void.

IN WITNESS WHEREOF, the LICENSOR has executed the above and foregoing License, and LICENSEE has caused this presents to be executed by its President under the Seal of the Corporation, the day and year first above written.

UNIVERSITY OF HAWAI'I

By _____

_____ CORPORATION

BY _____

(President)

STATE OF)
) SS:
CITY AND COUNTY OF)

On this _____ day of _____, 19____, before me appeared of _____ the UNIVERSITY OF HAWAI'I, to me personally known, who, being by me duly sworn, did say that he/she is the person described in and who executed the foregoing Instrument, and acknowledged that he/she executed the same as his/her free act and deed, and further declares that he/she is the _____ of the UNIVERSITY OF HAWAI'I and that said Instrument was signed and sealed in behalf of said Institution by authority of its Board.

Notary Public, First Judicial
Circuit, State of Hawai'i
My Commission Expires _____;

STATE OF)
) SS:
CITY AND COUNTY OF)

On this _____ day of _____, 19_____, before me appeared _____ of Corporation, to me personally known, who, being by me duly sworn, did say that he/she is the person described in and who executed the foregoing Instrument, and acknowledged that he/she executed the same as his/her free act and deed, and further declares that he/she is the _____ of said Corporation, and that the seal affixed to the foregoing Instrument is the Seal of said Corporation and that said Instrument was signed and sealed in behalf of said Corporation by authority of its Board.

Notary Public, First Judicial
Circuit, State of Hawai'i
My Commission Expires: _____

NONEXCLUSIVE MERCHANDISING LICENSE
BETWEEN THE
UNIVERSITY OF HAWAI'I
AND

(Indicia/Use on Merchandise)

Agreement effective the _____ day of _____, 19_____, between the UNIVERSITY OF HAWAI'I, for the _____, a public educational corporation existing under the Constitution and Laws of the State of Hawai'i, and having it's principal place of business at 2444 Dole Street, Honolulu, Hawai'i 96822 (hereinafter called "UNIVERSITY"), and _____ Inc., a _____ Corporation having it's principal place of business at _____ (hereinafter called "LICENSEE") .

WHEREAS, UNIVERSITY is the owner of certain designations consisting of designs, trade names, trademarks, service marks, etc. (said designations hereinafter called "INDICIA") and certain logographics and/or symbols which have come to be associated with the UNIVERSITY;

WHEREAS, UNIVERSITY has exercised its right of ownership with respect to said INDICIA in the United States of America;

WHEREAS, LICENSEE desires to use one or more of said INDICIA in connection with the marketing of various articles or merchandise in the _____ (hereinafter called "TERRITORY"); and

WHEREAS, UNIVERSITY is willing to permit LICENSEE to make such use of certain of the INDICIA in such manner as to preserve the integrity, character and dignity of UNIVERSITY, and maintain the reputation of the INDICIA as designating high quality merchandise.

NOW, THEREFORE, the parties in consideration of the terms, conditions, and covenants hereinafter contained agree as follows:

- 1) UNIVERSITY grants to LICENSEE the nonexclusive right to use, and subject to UNIVERSITY approval in writing, the right to grant sub-licenses to use certain of the INDICIA on merchandise sold in the TERRITORY in the manner, but only in the manner hereinafter set forth. The INDICIA authorized for use herein are limited to those more specifically identified, described, and displayed on Exhibit A attached, and by this reference made a part hereof;
- 2) LICENSEE agrees that it will permit the use of the INDICIA only in connection with the marketing of merchandise of the kinds or characters approved in writing by the UNIVERSITY. LICENSEE acknowledges that if merchandise sold by it or by sub-licensees were of inferior quality in design, material or workmanship, the substantial goodwill which the UNIVERSITY possess in the INDICIA may be impaired. Accordingly, LICENSEE undertakes that the marketing will be done in such a way as to preserve the integrity, character and dignity of UNIVERSITY and that the items of merchandise shall be of high quality. To this end, LICENSEE shall, before it permits the sale or distribution of any item of merchandise,

furnish to the UNIVERSITY, free of cost for it's approval, a sample of each item of merchandise, together with any associated carton or container, packing or strapping material. Recognizing the time constraints of production schedules, UNIVERSITY shall have two Weeks from receipt thereof in which to reject said sample and in the absence of rejection, or upon earlier written acceptance, the sample shall be deemed as accepted to serve as an example of quality for that item and only items as manufactured in accordance with the corresponding examples accepted hereunder may be permitted to bear the INDICIA;

- 3) LICENSEE may, provided prior UNIVERSITY approval is granted in spiriting, sublicense other manufacturers. The UNIVERSITY is not under any obligation to grant such approval and retains the right, concurrently herewith, to license such other manufacturers as it may elect to sell such of the INDICIA as it may deem appropriate from time to time in the same or other territory;
- 4) LICENSEE shall permit merchandise using or bearing the INDICIA to be marketed, sold or distributed only in the TERRITORY, and LICENSEE shall take such steps as may be necessary to prevent the exporting for sale of any merchandise outside of the TERRITORY;
- 5) LICENSEE shall make royalty payment to UNIVERSITY of ____ percent (%) of all revenue received by LICENSEE resulting from use of the INDICIA including, without limitation, royalties, minimum guarantee payments, and licensing fees from each sublicense. Royalty payments hereunder shall be made to UNIVERSITY quarterly within THIRTY (30) days following each calendar quarter, and each payment shall be accompanied by a report setting forth activities resulting in said royalties, and any other information as appropriate to enable an independent determination of the amounts due hereunder. LICENSEE shall keep accurate records of operation hereunder for at least THREE (3) years after the date of royalty accrual, and shall make such records reasonably available during normal business hours for examination by a representative of the UNIVERSITY to the extent necessary to verify the payments herein provided;
- 6) Starting SIX (6) months after the effective date of this Agreement, with respect to revenues received by LICENSEE during such subsequent TWELVE (12) month period, LICENSEE guarantees that the UNIVERSITY shall receive a minimum of _____ DOLLARS (\$_____) during each TWELVE (12) month period subsequent to said SIX (6) months as a result of operations under this Agreement. In the event that UNIVERSITY does not receive the minimum guaranteed amount, UNIVERSITY shall have the right to terminate this Agreement upon THIRTY (30) days Written notice to LICENSEE, said right or termination being the only recourse against the LICENSEE with respect to said guarantee;
- 7) All amounts payable to UNIVERSITY shall be paid in United States dollars by check made payable to _____ and sent to (name and title) _____ (address) _____;

- 8) LICENSEE shall have the INDICIA promptly registered and protected prior to use in the State of Hawai'i (Ch. 482, H.R.S.); and if used in interstate commerce, registration shall be expeditiously effected as well under the Federal Trademark Act (15 U.S.C. 1051, et seq.). Registrations shall be in the name of the UNIVERSITY. Also, all registered INDICIA used on merchandise approved for sale pursuant to paragraph 2), supra, shall be clearly marked to indicate such registration. Federally registered INDICIA shall be marked with the appropriate symbol "®". or the phrase "Registered in the United States Patent Office.", or if unregistered the symbol "TM" shall be used thereon pending registration. LICENSEE shall pay the ordinary and necessary expenses for all such registrations as advances on behalf of the UNIVERSITY, and LICENSEE shall be reimbursed for such expenses by withholding the amounts thus advanced, without interest, from time to time from payments due pursuant to paragraph 5. Such reimbursements shall be the only recourse against UNIVERSITY for such advances. All registration certificates shall be furnished to UNIVERSITY promptly following procurement;
- 9) Nothing herein shall give LICENSEE any right, title, or interest in any INDICIA licensed hereunder except the use as specifically stated, and all uses by LICENSEE or any sublicensee hereunder shall insure to the benefit of the UNIVERSITY. Neither LICENSEE nor any sublicensee shall state or imply, either directly or indirectly, that LICENSEE or its activities, other than pursuant to use of the INDICIA as permitted herein, are supported, endorsed, or sponsored by UNIVERSITY and upon the direction of UNIVERSITY shall issue express disclaimers to that effect. Nothing herein shall be construed to constitute the parties joint venturers, nor shall any similar relationship be deemed to exist between them. UNIVERSITY shall have no liability for any item manufactured or sold by LICENSEE or by a sublicensee, and LICENSEE shall defend, indemnify, and hold harmless the UNIVERSITY, its officers, employees, servants, and agents from any and all liability caused by or arising from workmanship, material, or design of any item manufactured or sold pursuant to this Agreement, or the use of any INDICIA pursuant to this Agreement. UNIVERSITY shall not be liable to LICENSEE or any sublicensee as the result of activities by LICENSEE or any sublicensee hereunder, for infringement of any patent, copyright, or trademark belonging to any third party, or for damages or costs involved in any proceedings based upon any such infringement, or for any royalty or obligation incurred by LICENSEE or any sublicensee because of any patent, copyright or trademark held by a third party. LICENSEE shall require of each sublicensee that it have and maintain liability insurance sufficient to cover all foreseeable product liability claims;
- 10) This Agreement shall be for a term of _____ years from the effective date hereof, unless sooner terminated in accordance with the provisions hereof, and shall automatically be extended for additional yearly periods under the same terms and conditions unless either party shall give written notice of termination to the other at least NINETY (90) days prior to the end of the respective period. Upon termination hereof, all rights of LICENSEE and sublicensee to the INDICIA shall forthwith terminate except as may be permitted under paragraph 11, and except as to approved uses of the INDICIA on merchandise then on hand as

inventory which may continue to be sold for a period of SIX (6) months thereafter subject to the payments provided for in Paragraph 5;

- 11) The time of termination of any sublicensee entered into by LICENSEE shall correspond as much as feasible to the time of termination of this Agreement. Any sublicense which will extend beyond the time of termination by this Agreement shall require the written approval of UNIVERSITY. Payments with respect to such approvals shall be pursuant to Paragraph 5;
- 12) This Agreement may not be assigned or transferred in whole or in part without the written consent of UNIVERSITY;
- 13) If either UNIVERSITY or LICENSEE shall fail to perform any of the terms or conditions of this Agreement, and such failure or breach shall not be cured within THIRTY (30) days after written notice thereof, this license shall immediately terminate, and the other party shall have the right of compensation for losses and damages sustained;
- 14) This Agreement shall be governed by the laws of the State of Hawai'i, USA: and
- 15) Notices by a party under this Agreement shall be deemed given when the same shall have been postmarked provided the same is mailed certified or registered mail; return receipt requested, and the postage is prepaid air mail, or first class to the address listed above, or to such other address as the party may have subsequently furnished in writing to the other for this purpose; otherwise notice shall be deemed given when received.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their duly authorized officials on the day and year first above written.

UNIVERSITY OF HAWAI'I

LICENSEE

By _____

BY _____

STATE OF HAWAI'I)
) SS:
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 19_____, before me appeared _____ of _____ Corporation, to me personally known, who being by me duly sworn, did say that he/she is the person described in and who executed the foregoing instrument and acknowledged that he/she executed the same as his/her free act and deed, and further declares that he/she is the _____ of the said Corporation, and that the seal affixed to the foregoing instrument is the seal of said Corporation and that said Instrument was signed and sealed in behalf of said Corporation by authority of its Board.

Notary Public, First Judicial
Circuit, State of Hawai'i
My Commission Expires: _____

STATE OF HAWAI'I)
) SS:
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 19_____, before me appeared _____ of the University of Hawai'i, to me personally known, who, being by me duly sworn, did say that he/ she is the person described in and who executed the foregoing Instrument, and acknowledged that he/she executed the same as his/her free act and deed, and further declares that he/she is the _____ of the Institution and that said Instrument was signed and sealed in behalf of said Institution by authority of its Board.

Notary Public, First Judicial
Circuit, State of Hawai'i
My Commission Expires: _____