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Why Trade Mark Owners that License their Marks in the UK Should Now Consider Registration

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As in most other jurisdictions, the UK's Trade Marks Act 1994 (the "**Act**") expressly permits the licensing of registered trade marks, making different provisions for exclusive and non-exclusive licences. It recognises that licences can be general or limited. A licence for the use of a registered mark can be granted for all the goods or services for which the mark is registered, or for some of them, and it can be limited in other ways. The Act provides further, among other things, that a licence is binding against a successor in title of the licensor. It also treats the use of the mark by a licensee as equivalent to its use by the trade mark proprietor.

None of those provisions depends on registration of the licence. Registration of licences is, in principle, voluntary.

As a result of a recent decision of the Court of Appeal, however, trade mark licensors should now consider whether to register their licences, including licences granted in the past (at least insofar as they are still in force). In light of the decision in *Lifestyle Equities v Fraser Group*, it now appears that failure to register a licence could have serious

potential consequences in the context of third party enforcement proceedings, in particular in relation to claims for damages.

Enforcement proceedings by licensors and licensees

Before turning to the ruling in *Lifestyle Equities v Fraser Group[1]*, it is useful to consider the issue of enforcement in the context of trade mark licences.

Often, perhaps in most cases, trade mark owners prefer to maintain control over the enforcement of licensed trade marks. Exclusive licensees in many cases secure enforcement rights for themselves, sometimes on the basis of co-operation between the parties on enforcement matters. In other cases, exclusive licensees can sometimes contractually secure independent enforcement rights against infringements. Such arrangements can be complicated for example where the licence splits the user rights between licensor and licensee (or between different licensees) along the lines of different fields of use, product categories or market segments. Non-exclusive licensees may, in some cases, also be granted enforcement rights, although those would usually be limited, for example, a licensee may be given the right to ask the licensor to take enforcement action, but without the right to force it to do so. More often than not, a non-exclusive licensee acquires only a right to use the mark with no right to enforce it against third parties.

The commercial reality is reflected in the legal provisions of the Act concerning the licensing of registered trade marks. Sections 30 and 31 of the Act set out different arrangements in relation to the right of trade mark licensees to initiate enforcement action against a third party. In broad terms, the UK legislation allows the parties to the licence to contractually shape their relationship in regard to enforcement and the provisions of sections 30 and 31 provide the default rule in the absence of a tailored contractual arrangement. Accordingly, the Act provides that unless agreed otherwise by the parties, a non-exclusive licensee has no independent right to take enforcement action whilst an exclusive licensee can call upon the proprietor to take action against an infringement that affects the exclusive licensee's interest, failing which the exclusive licensee can enforce the trade mark in its own name.

Recognising that in many cases the right of action may be held solely by the trade mark owner whilst the financial loss caused by an infringement may be suffered partially or primarily by the licensee, Section 30(6) of the Act provides further that:

"*In infringement proceedings brought by the proprietor of a registered trade mark* ***any loss suffered or likely to be suffered by licensees shall be taken into account****; and the court may give such directions as it thinks fit as to the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on behalf of licensees*."

So far, so good. The arrangements in Sections 30 and 31 of the Act recognise the commercial and legal interests and the commercial realities as between licensors and licensees and provide a convenient framework that allows enforcement action to be taken effectively against infringers whilst avoiding a legal "black hole" by which only one

party (the licensor) can bring infringement proceedings whilst only the other party (the licensee) can establish a claim for damages.

Registration of transactions under the Trade Marks Act 1994

The Act provides for the registration of a range of transactions relating to a registered trade mark, including the transfer of ownership, the grant of security interests, as well as the grant of licences. Registration of transactions is generally voluntary. An assignment, security interest or licence are effective even if they are not registered. However, the Act encourages transactions to be registered and it is particularly cautious with regard to the effect of a transaction on third parties. Accordingly, a registrable transaction is ineffective against a third party that takes a conflicting interest in the mark in ignorance of the earlier transaction. This would normally also apply to a liquidator or trustee in bankruptcy.

The Act makes additional provisions to encourage transactions to be registered. For example, whilst an unregistered acquirer is entitled to enforce the trade mark against an infringer, it is not entitled to recover its costs. In a litigation system in which cost-shifting is a key element (and in which cost awards are often more substantial than the amount of damages that can be recovered from an infringer), this presents a real incentive to register the transaction. Even so, the provision represents a relaxation of a previous version (the relevant provisions of the Act were amended in 2006; before the amendment, an unregistered acquirer was entirely deprived of the right to recover damages, although it was still able to obtain an injunction against the infringer).

In relation to the registration of licences, Section 25(3)(b) of the Act states that:

"*Until an application has been made for registration of the prescribed particulars of a registrable transaction— a person claiming to be a licensee by virtue of the transaction does not have the protection of section 30 or 31 (rights and remedies of licensee in relation to infringement)*."

As mentioned, sections 30 and 31 allow licensees, in certain circumstances, to take action in their own name against infringements. Section 25(3)(b) clearly encourages licensees to ensure their licences are registered, so that the licensee (or "a person claiming to be a licensee") can rely on the provisions of Sections 30 and 31 to take action to enforce the mark. But does it limit the licensor's right to enforce the mark? The first instance court in the case of *Lifestyle Equities v Fraser Group* held that it did not[2]. The Court of Appeal, however, saw things differently.

Lifestyle Equities v Fraser Group

Lifestyle Equities CV ("**Lifestyle CV**") was the registered proprietor of certain figurative trade marks for the mark "Beverly Hills Polo Club". Its wholly owned subsidiary Lifestyle Licensing BV ("**Lifestyle BV**") was the registered exclusive licensee of the trade marks. Lifestyle BV then sublicensed the trade marks to various sub-licensees. The terms of those sub-licences were kept confidential, but it was common ground that they were non-exclusive and (with one exception) had not been registered. Lifestyle CV and Lifestyle BV (together "**Lifestyle Equities**") brought proceedings against the Fraser Group,

operator of the UK retailer Sports Direct ("**Frasers Group**") alleging an infringement of the trade mark through the sale of infringing products throughout the course of 2014 and 2015.

The court in the first instance found in favour of claimant, holding that Frasers Group had infringed the trade marks. It ordered an inquiry as to damages or an account of profits (at the claimant's choice, as is the usual practice). Lifestyle Equities sought recovery of losses suffered by the claimants themselves and those suffered by unnamed sub-licensees. Frasers Group sought partial summary judgment on the basis that Lifestyle Equities could not recover the losses of the sub-licensees where the licences were not registered.

The High Court (at first instance) rejected the defendants' application holding that the registration of a licence was not a requirement under s. 30(6) which allows the court to take account of losses suffered by licensees and to give appropriate directions as to "*the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on behalf of licensees*." The first instance court held that s. 25(3)(b) takes effect to limit the right of a licensee to pursue infringement proceedings under sections 30 and 31, but it does not affect the trade mark owner's right to take action or the provision of s. 30(6) which allows the court to take into account the losses suffered by licensees as part of a claim brought by the proprietor of the mark.

The Court of Appeal decision in Lifestyle Equities

The Court of Appeal reversed the High Court's decision regarding the effect of the failure to register the licence on the right of the trade mark proprietor to seek recovery in infringement proceedings in relation to damages suffered by licensees. It held that s. 25(3)(b) should be read more broadly to extend also to s. 30(6). The Court of Appeal considered all the provisions of sections 30 and 31 to be provisions protecting the "rights and remedies of licensee in relation to infringement". It held that the provision extends also to s. 30(6) even though it operates in the context of a claim brought by the licensor. According to the Court of Appeal's analysis, s. 30(6) provides for the owner/licensor's right to seek damages *on behalf of* the licensees (as reflected in the second part of the provision regarding the directions that the court may give as to the extent to which the licensor should hold the proceeds for the benefit of the licensees) and therefore that provision does not escape the restriction under s. 25(3)(b) requiring the licence to be registered before the provision can be invoked.

On a related point, however, the Court of Appeal agreed with the High Court at first instance that a licensee can retrospectively obtain protection by applying to register the licence after the event and once that registration is made the provisions of sections 30 and 31 can be relied on in an infringement action.

Practical consideration for trade mark owners and licensees

Section 30(6) of the Act is a provision of practical significance in the context of enforcement proceedings relating to marks commercialised largely or solely through

licensing arrangements. The vast majority of infringement cases are brought by trade mark owners, not licensees, and the ability to recover losses suffered by licensees can be an essential element in a claim for damages. Since the vast majority of licences are unregistered, the effect of the decision of the Court of Appeal, which blocks such claims as long as the licence remains unregistered, could be substantial.

The case of *Lifestyle Equities* highlights difficulties in the interpretation of section 25(3)(b) and it is yet to be seen whether a second appeal to the UK Supreme Court may be attempted. If, however, the Court of Appeal is correct in its interpretation of the Act then there is now a significant reason for licensors to register licences, at least where the licence is granted in relation to trade marks where infringement proceedings and claims for infringement and damages are a realistic prospect.

Although the Court of Appeal allowed for the possibility of late registration that might open the door to an infringement claim seeking the recovery for losses suffered by licensees, the potential implications of a late registration were not fully examined. It would normally be sensible to register the licence as soon as it is granted (or as soon as practicable thereafter) to secure the licensor's right to recover losses suffered by licensees as a result of an infringement.

No doubt in some cases parties have reasons not to register licences. One possible reason could be the parties' concerns in relation to confidentiality (although in practice, trade mark licensors typically require licensees to advertise the fact that the mark is used under licence, usually requiring the licensor to be identified by name). Sometimes cost can be a consideration against registration (often licences are granted for multiple territories and in relation to multiple registered marks) and there can be other practical considerations.

Trade mark proprietors should not be deterred by costs though. The registration of a licence at the UK Intellectual Property Office is a simple and inexpensive process (and it is equally easy to cancel the registration once the licence terminates). It is recommended therefore that licensors of UK registered trade marks should always consider registering their licences and should be advised to do so unless there is a good reason not to. Owners of UK trade marks that are already subject to licensing arrangements should review their portfolios. If licenses are not registered, now is the time to do so.

[1] *Lifestyle Equities CV & Anor v Frasers Group Trading Limited (formerly called Sportsdirect.com Retail Limited) & Ors* [2026] EWCA Civ 583

[2] *Lifestyle Equities CV & Anor v Frasers Group Trading Limited (formerly called Sportsdirect.com Retail Limited) & Ors* [2025] EWHC 1417 (Ch)