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Is The Licensor Entitled To Sales On Products Sold By Licensee Outside The Territory?

[Kristie Prinz](#)

Q. A publisher licenses a famous film character from a Licensor film company. The product is printed publications. By agreement, the Licensee is to pay to the Licensor a percentage of sales, and the license is restricted to a specific territory. Licensee sells an amount of the product outside the territory, in what is agreed is in contravention of the agreement. In reporting to the Licensor, the Licensee declares the sales out of territory and pays the agreed percentage for sales. The Licensor demands not the percentage, but the full Net sales receipts of the products which were sold out of territory. Says the Licensor..."Whilst the contract does not specifically set out the remedy for such breach, the contract is written under US Law where the Licensors are entitled to claim the benefit received by the wrongdoer plus damages for such breaches. Thus, the claim of Net sales would be the very least due and payable." Is the Licensor right? Does the Licensee have to pay over all the monies it received from the sales out of the territory? The contract is governed by California law.

*-- Sheldon***A.**

Based on the facts you have described, the Licensee has exceeded the scope of the license agreement, and has earned money from sales made outside the agreed-upon territory. Clearly, as you have stated, the Licensee has breached the contract, and he is most likely not entitled to keep any of the money earned from the breach.

Of course, the possibility exists that you may have omitted relevant facts from the description above, or that there is case law in your specific jurisdiction that could provide for a different outcome. You should consider consulting with a lawyer licensed to practice in California in order to discuss the facts of this case in more detail and confirm that the best course of action for the Licensee is to return the money earned outside the territory.

*-- Kristie Prinz***Browse for a Lawyer**

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