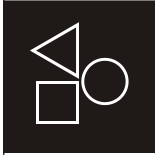


Model Royalty Agreement: Commissioned

PN 002 (Issue A)
Design - General



**Design
Institute of Australia**

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Introduction

This model agreement is intended as an example only and it is highly recommended that legal advice be sought, particularly in regard to the intellectual property aspect, prior to entering into any binding contract.

Model Royalty Agreement-Commissioned

THIS AGREEMENT is made the day
of Two thousand and.....

BETWEEN

(henceforth, together with the heirs and assigns,
called 'the Designer') of the one part and

.....of.....

(henceforth called 'the Licensee') of the other part.

WHEREAS:

The Licensee has requested the Designer to provide certain design work as set out in a separately attached schedule prepared by the Designer [from here on referred to as 'the Design Project'] and the Designer has agreed to this and also to give to the Licensee an (exclusive/limited) Licence to use any design or designs included in the Design Project on the terms as set out here.

NOW IT IS AGREED as follows:-

- 1** The Designer shall carry out the Design Project from the day of..... 20... to the day of 20... in accordance with the following Schedule (henceforth called 'the Design Schedule'):-
 - (a) First Stage, Design Proposals to be submitted to the licensee by the day of 20
 - (b) Second Stage, Final drawings to be submitted to the Licensee by the day of 20 ...
- 2** (a) The Licensee shall pay the Designer a fee of which shall be payable to the Designer in (two) equal instalments on the completion of each stage of the Design Schedule.
(b) If the licensee requires to vary the Design Project the Licensee shall give written advice to the designer who will comply with the variation.

Provided that:-

- (i) any stage or stages of the Design Schedule are extended to the satisfaction of the Designer and
 - (ii) the Licensee pays the Designer additional fees in respect of the additional work and expenses involved on the same basis or at the same rate as the original fee. Such further fees shall be payable on completion of the relevant stage of the Design Project.
- 3** The Designer shall if so requested by and at the cost of and with all necessary assistance from the Licensee apply for and obtain registered design or patent protection as may be appropriate in respect of any designs or manufacturing processes or methods covered by the Design Project and shall grant the Licensee (all) formal licences as may be appropriate for a period not exceeding the life of the registration or grant. All fees relating to the renewal of any registration or grant will be reimbursed to the Designer by the Licensee.
 - 4** The Designer being a member of the Design Institute of Australia (from here on called 'the Institute') shall conform to the Institute's Code of Professional Conduct and the Licensee shall acknowledge the Terms and Conditions of Engagement of the Institute as may be applicable to the Design Project and which are not in conflict with this Agreement
 - 5** The Licensee will supply the Designer with all the necessary information to execute the Design Project.
 - 6** The Designer will not undertake design projects which are directly competitive with the Design Project until completion of Stage Two of the Design Schedule or without the written consent of the Licensee which should not be unreasonably refused.
 - 7** The Designer will not divulge any confidential information received during the course of the Design Project.
 - 8** (a) The Designer will grant to the Licensee an (exclusive/limited) licence for (insert country/countries) where the use of any copyright emanating out of the Design Project in relation to the manufacture and/or sale of any of the products. All costs and expenses incurred by the Designer in respect of the licence shall be paid by the Licensee.
(b) The Licensee shall not assign charge or transfer or sub-licence or part with the benefit of this agreement, or of any part thereof without the prior written consent of the Designer.
 - 9** (a) During the term of this agreement the Licensee will pay the Designer a royalty at the rate of percent of the net invoice cost of any product or reproduction manufactured and/or sold by or on behalf of the Licensee using any copyright or any design arising out of the Design Project (here after called 'the Licensed Articles')
When the total royalty for any calendar year does not exceed (minimum royalty) the Licensee will pay the Designer the difference between the due amount and the minimum royalty in a period of fourteen days after the end of the calendar year. For the purposes of this Agreement the words 'net invoice cost' shall mean the cost at which the Licensed Articles are invoiced by the Licensee on sales less any amounts credited in respect of returns or reasonable discount (see also point 19).
(b) The Designer will have the option to exercise within one month after expiration or determination of this agreement whether to take over and pay for all or part of the stock at cost price (less freight charges and any import or other duties payable) of the Licensed Articles not sold or disposed of by the Licensee. If the Designer does not decide to take the whole or any part then the Licensee will pay a royalty to the Designer as per clause 9(a) in respect of the whole or any part and from then be free to sell or dispose of stocks on which royalty has already been paid.

10 (a) The Licensee will keep true and detailed records of account of all Licensed Articles manufactured by or on behalf of the Licensee. The Licensee shall provide the Designer within fourteen days after the agreed quarterly intervals the net invoice cost and royalties and any other payments in the form of a statement of account of that preceding quarter and then pay the Designer the amount due. Any arrears in payment (thirty days outstanding) will attract interest at the trading bank overdraft rates plus an additional three percentum per annum for the period that the account remains unpaid.

(b) All payments by the Licensee should be made to the Designer's account at

..... Bank

..... Branch.

(c) The Licensee shall permit the Designer or appointed representative access to the books and records relating to the Licensed Articles to take extract or copies as required.

11 The Licensee shall ensure that the Licensed Articles to the quality and with the materials approved by the Designer and in such a way that properly indicates all rights of the Designer related to the Design Project and to comply with the laws of the countries where the Licensed Articles are to be sold and to ensure that the rights of the Designer are fully protected.

12 The Licensee will manufacture the Licensed Articles to the quality and with the materials approved by the Designer previously in writing and submit on request specimens of the manufactured licensed Articles for the Designer's inspection and approval.

13 The Licensed Articles will be promoted through the best endeavours of the Licensee throughout
(insert country/countries) and shall spend an agreed sum for promotion and advertising or failing agreement a reasonable sum.

14 Neither party will without the written consent of the other party (such consent should not be unreasonably withheld) design, manufacture, market, sell or in any other way deal with any article that might be confused with the Licensed Article.

15 This agreement will continue in force while the Licensee uses any copyright related to the Design Project provided that this agreement may always be determined by either party with written notice

(a) if the other party commits a breach of the terms which is incapable of a remedy within fourteen days after the written notice.

(b) if the other party commits an act of bankruptcy or where a business is put into receivership or is wound up.

16 The Licensee will provide written notice to the Designer when any infringement (or threat of) to registered designs or design patent or copyright is noticed. All costs of proceedings against the infringement will be paid by the Licensee.

17 Where there is a dispute between the two parties related to any part of this agreement or to rights and liabilities or duties of each party then either party may refer the dispute to an arbitrator (as agreed to by both parties). In the event that no agreement is reached within fourteen days of written notice then the matter will be referred to the Institute of Arbitrators and Mediators Australia for final resolution. The arbitrator when making an award shall state the reason for such award in writing.

18 This agreement shall be governed in all respects and in accordance with the laws of the Commonwealth of Australia and shall take effect as an agreement made in the Commonwealth of Australia.

19 All amounts and invoice costs to be inclusive of the Goods and Services Tax.

Checklist

Fee

Variation of design project

Registered design or patent protection

Professional conduct

Provision of information

Designer not to compete

Confidentiality

Grant of licence

Limit on further assignments

Calculation of royalties

Minimum royalty

Disposal of stocks

Records and accounts

Payments to designer

Access to books and records

Marking of goods

Quality control

Sales, promotion and advertising

Ancillary services

Duration of licence and prior determination

Notice of acts of parliament

Notice of infringement

Interpretation and arbitration

Proper law

Copyright and Disclaimer

This Practice Note contains general information about methods of business practice for designers. It is general information only and may not be applicable to your particular situation. You should take professional advice about the application of this Note to your business situation.

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