

THE ROLE OF LICENSING IN PROTECTING TRADEMARKS IN THE REPUBLIC OF NORTH MACEDONIA

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Abstract

The aim of this study is to investigate, in the context of the Republic of North Macedonia, the role that licensing plays in protecting trademarks. Businesses rely heavily on trademarks to protect their trademark identification, build consumer trust, and maintain goodwill. In the Republic of North Macedonia, trademark protection is essential for promoting economic development and enabling international trade. The study explores how licensing agreements help safeguard intellectual property while enhancing trademark value. It explores the complex nature, benefits, and pitfalls of licensing while diving into its historical and legal foundations. Licensing is a way to improve trademark quality and consistency by making sure that products live up to consumer expectations. The study also highlights how crucial it is to abide by intellectual property laws and stop trademark infringement from a moral and legal standpoint. In addition, it clarifies the difficulties and most current advancements in the field of trademark licensing, providing information and suggestions for businesses and other interested parties. Furthermore, this research not only sheds light on the significance of licensing in safeguarding trademarks but also emphasizes the critical role it plays in bolstering the economic landscape and international trade within Republic of North Macedonia.

Keywords: Trademarks, Licensing Agreements, Intellectual Property, North Macedonia.

1. Introduction

Intellectual property is a lucrative and highly profitable field, and the license contract is notably specific. Creating an intellectual product and adeptly managing it presents excellent opportunities to expand the market presence. People worldwide have made millions by licensing their names. However, the feasibility of achieving such success in a particular country necessitates thorough research. But how and to what extent is it possible to achieve this in our country? The answer lays down the necessity of research.

Global need for intellectual property is growing. It is ideal for cross-border travel because of its unspoiled environment. Technologies have advanced at a rate that is nearly unfathomable in every field and category. This makes it possible for people worldwide, both legal and illicit, to enjoy a wide variety of intellectual property products. These realities have required intellectual property law to adapt.¹ A license must be obtained in order to utilize the trademark or any other type of intellectual property, in order to prevent lawsuits. In this sense, a license is essentially a contract or agreement that permits the use of a trade secret, patent, copyright, or trademark for specific uses.²

A license agreement is a type of contract that effectively governs contractual relationships in contemporary corporate operations. Intellectual property rights are transferred in relation to experiments, knowledge, innovations, samples, seals, and models. Payment of the agreed upon compensation is required of the licensee. The goal of the license and the payment for using the transferred right are the two main components of the license agreement.³

¹ Cae Seville, *EU Intellectual Property Law and Policy*, Cheltenham, 2009, p. 1

² Clarkson, Miller, Cross, *Business law (Text and Cases)*, Stamford, 2015, p. 158

³ Mehdi J. Etemi, *Law with basic knowledge of business law*, Pristina, University of Pristina, 2002, p. 469

Patents, know-how, experience, trademarks, samples, or models are all included in the license agreement.⁴ A trademark is defined in legal literature as a sign that is used in legal-economic circulation to differentiate goods made by different manufacturers. Any legally protected symbol that can be represented graphically and is appropriate for differentiating one entrepreneur's goods or services from those of another is called a trademark. Therefore, when we refer to a trademark, we mean protected signs, particularly words (such as human names, characters, numbers, letters, and symbols, as well as their mode of manufacture or packaging, three-dimensional shapes, colors, and combinations of all the aforementioned signs).⁵

The license to use the trademark can be general or limited. The Limited License may apply in connection with:

- Only some of the goods or services for which the trademark is registered;
- Using the trademark in a certain way;
- Use of the trademark only in a certain country.

The license must be in writing and must be signed by or on behalf of the licensor.⁶ Where permitted by license, a sub-license may be granted.⁷ The parties are not permitted to conclude a contract in the absence of the required form when a legal form is provided for that particular contract.⁸ A trademark's functions are determined by its meaning and application in the market, taking into account the tasks it performs or should perform. The business world may carry out and make functions evident, but this does not mean that the law protects them. There are several uses for the trademark. The following are the roles that are most frequently discussed in professional and scientific literature:

- The function of marking the origin of the product;
- Distinctive function;
- Warranty function;
- Advertising function;
- Competition function.

The function of the trademark to mark the origin of the product it is known for is not discussed. Several theorists contend that the trademark's primary economic purpose is to alert customers to the location of the company's or enterprise's suppliers of goods, namely services. Numerous rules, which state that a trademark can only be transferred to third parties in conjunction with the firm and that it is intimately linked to the latter, are in conflict with this notion. Eventually, it was thought that the trademark served to individualize and differentiate the products.

Therefore, the purpose of a trademark is to set its products and services apart from similar or identical products and services available in the market. This is the role of the trademark, which is also founded on North Macedonian law. This theory's proponents contend that consumers are not focused on a product's origins by a specific manufacturer or trader. Some believe the trademark to have a specific warranty feature. In all honesty, a trademark cannot serve as a means of ensuring the characteristics and caliber of products and services. Only guarantees, composition markings, and quality marks, such as stamps used to seal precious metals and other like marks, have the right to serve this purpose, which cannot be equated with the trademark.

Nonetheless, customers subjectively assign a guarantee function to the trademark, whether consciously or unconsciously. It is easier for customers to obtain nearly comparable but

⁴ Law on Obligations, Official Gazette of the Republic of North Macedonia, no. 18/01, Article 742, Paragraph (1).

⁵ Nerxhivane Dauti, The law of obligations (General and special part), Pristina, Faculty of Law, 1998, p. 336

⁶ Law on trademarks, Official Gazette of the Republic of Kosovo, No. 02/L-54, Article 30

⁷ Law on trademarks, Article 30, paragraphs (1), (2) and (3)

⁸ Faton Z. Shabani, The Right of Obligations, Tetovo, Arbëria Design, 2023, p. 119

higher- quality goods and services with less-known attributes when they are marked by well-known and traditional trademarks. Customers view a trademark as an assurance of the qualities they will receive from a specific product or service. Although it is not required, this is a possibility.⁹

The trademark is seen as an effective tool that may be used for market processing, advertising, and propaganda. Because of this feature, the trademark plays a significant role in economic competition. When consumers, or regular users, are making decisions about which product or service to purchase, the trademark has to have the right impact on them. As a result, any entity in its circulation has the opportunity to influence consumers by having a popular and appealing trademark.

Customers or users will be pleased to purchase a product that is endorsed by a famous person or that is marked with an eye-catching sign. Our legislation offers the chance to safeguard packaging assets, catalogs, and other goods frequently used for propaganda and advertising, while still acknowledging trademark advertising and its competitive role.¹⁰

The right of the trademark holder to use their mark not only to identify goods and services that are in use but also on invoices, announcements, cases, instructions, warranty papers, posters, brochures, catalogs, plates, posters, brochures, and other propaganda materials in correspondence, particularly through public media, constitutes the trademark's competitive function. The connection between trademark law and unfair competition should be highlighted in this context. This feature highlights how the aforementioned roles work together, highlighting the significance of the trademark in the contemporary flow of commodities.¹¹

It is important to comprehend the numerous uses of trademarks in order to evaluate the function of licensing agreements in the Republic of North Macedonia. The study looks into how licensing agreements help to preserve intellectual property and improve trademark value. Upon closer inspection, licensing agreements are a tactical tool that serves as both a means of preserving intellectual property and boosting trademark value. By examining the particulars of trademark protection, this research aims to clarify the significance of licensing in regional markets and provide recommendations on how businesses might take advantage of these agreements. Examining the legal environment and paying special attention to the requirement for signed and written license agreements, we dissect the subtle aspects of both general and limited licenses and highlight their relevance with regard to certain products, locations, and consumption habits. This study looks at licensing practices in the specific context of the Republic of North Macedonia and aims to provide insight into how they support trademark enhancement and maintenance through a thorough analysis.

2. The legal framework of the Trademark in the Republic of North Macedonia

The legal foundation for trademarks in North Macedonia is essential to the preservation of intellectual property. In order to maintain fair competition and avoid consumer misunderstanding, rules govern the registration and protection of trademarks. Typically, the registration of a trademark entails submitting an application to the appropriate North Macedonian authorities. Upon registration, the owner of the trademark acquires the exclusive right to use the mark in conjunction with the specified products or services. The owner can use this exclusivity to establish their trademark and reputation throughout the allotted,

⁹ Mirjana Polenak-Aqimovska, Jadranka Dabović-Anastasovska, Vlado Buckkovski, Valentin Pepeljuginoski, *Intellectual Property I, Industrial Property*, Skopje, Faculty of Law 'Justinian prvi', Skopje, 2004, p. 140

¹⁰ Law on Industrial Property, Official Gazette of the Republic of North Macedonia, no. 21/09, Article 124

¹¹ Mirjana Polenak-Aqimovska, Jadranka Dabović-Anastasovska, Vlado Buckkovski, Valentin Pepeljuginoski, *Intellectual Property I, Industrial Property*, Skopje, Faculty of Law 'Justinian prvi', Skopje, 2004, p. 141

typically renewed period.

One essential component of the legal system is the enforcement of trademark rights. When unapproved parties use the same or a similar mark for comparable goods or services and cause confusion among customers, this might result in infringement cases. Owners of trademarks may file a lawsuit to defend their rights and obtain compensation for any harm done.

It is probable that North Macedonia's legal system contains provisions for both civil and criminal lawsuits pertaining to trademark infringement. While criminal prosecutions may result in penalties for willful trademark breaches, civil actions may involve the pursuit of damages, injunctions, or other remedies. Furthermore, the legal structure could cover matters like trademark renewals, trademark rights assignment or licensing, and trademark dispute resolution processes.

In the Republic of North Macedonia, where intellectual property rights are a dynamic field, it is clear that the constitution is committed to protecting rights resulting from creative, scientific, and artistic endeavors. As a legal system, licensing is essential to trademark protection in the Republic of North Macedonia. For trademark owners, it is a tactical instrument for managing and controlling how other parties utilize their trademarks.

The Republic of North Macedonia's legislature raised the protection promise to the level of the constitution, declaring that "the rights derived from scientific, artistic, or other types of intellectual creativity are guaranteed".¹² North Macedonia has taken steps in the past ten years to bring its intellectual property rights protection up to par with that of the European Union. In light of this, investigating the function of licensing in trademark protection becomes critical as the country works to address changing issues and offer creative answers in the field of intellectual property.¹³

While establishing high-quality legal solutions is important, it must first be complemented by widespread access to public policies, measures, and tools for efficient implementation and awareness-raising in order to yield results. North Macedonia has taken steps over the past ten years to bring industrial property rights protection on par with that of the European Union. In addition to being a signatory to all of the most significant international treaties in the area, North Macedonia is a member of the European Patent Organization (EPO) and WIPO. The legal framework in North Macedonia provides about the same level of protection for industrial property rights as the legal framework in EU member states. Given the expectation that regulations pertaining to this domain are being developed on a global and EU-wide scale in order to enhance stability and streamline procedures, it is critical for North Macedonia to stay abreast of emerging issues and persist in finding creative solutions.

The acquisition, implementation, and protection of industrial property rights in the Republic of North Macedonia country are regulated by the Law on Industrial Property.¹⁴ The license contract is regulated by the Law on Obligations of the Republic of North Macedonia, which states: "With the license contract, the licensor is obliged to transfer to the licensee in whole or in part the right to use the patent, knowledge, and trial, trademark, sample or model, while the licensee is obliged to pay the specified remuneration". Some provisions for the license contract are also contained in the Industrial Property Law. Pursuant to Article 237 of the Law on Industrial Property, the applicant for the right to industrial property and the holder of the right may transfer their right by contract in full or in part under the conditions provided for in that law and other regulations, which stipulate that the contract must be made in writing and

¹² Constitution of the Republic of North Macedonia, Official Gazette of RM, no. 52/1991, 1/1992, 1/1992, 31/1998,31/1998, 91/2001, 91/2001, 84/2003, 84/2003, 107/2005, 107/2005, 3/2009, 3/2009, 13/2009, 49/2011, 49/2011, 6/2019 and 6/2019, Article 47(2).

¹³ Faton Shabani, Industrial property: an overview of protection in the Republic of North Macedonia, The Scientific Journal JUSTICIA, University of Tetovo, 2023, p. 102

¹⁴ Faton Shabani, Industrial property: an overview of protection in the Republic of North Macedonia, The Scientific Journal JUSTICIA, University of Tetovo, 2023, p. 104

the signatures of the contracting parties must be notarized. In order to produce legal effects against third parties, this contract must be registered with the State Entity for Industrial Property.¹⁵

3. Licensing as a trademark strategy. Current status of Trademark protection claims in the Republic of North Macedonia

Licensing can be a savvy trademark strategy for businesses looking to expand their trademark presence and revenue streams. Permitting other organizations to utilize trademarks increases revenue and expands a trademark's reach into new product categories or marketplaces. This strategy offers a way to grow without requiring significant upfront investments, which can be especially helpful for smaller companies or those operating in specialist sectors. Furthermore, licensing can improve the awareness and recall of a trademark. Trademark awareness rises as a result of trademarks being used by a variety of licensees and becoming more embedded in customers' thoughts. A trademark's durability and general success may eventually be attributed to this extensive exposure. Nonetheless, it's imperative to approach licensing thoughtfully. Maintaining stringent quality control and carefully choosing the proper partners are essential to protecting the trademark's credibility. When properly implemented, a licensing strategy can benefit all parties and promote success and growth on both ends.

As previously stated, licensing is essential to the protection of trademarks in the Republic of North Macedonia. It functions, in my view, as a tactical instrument for trademark owners to regulate and oversee the use of their marks by outside parties. Trademark owners can increase the visibility of their trademark without giving up total control over how it is used by offering licensing. Increasing a trademark's market share is one of the main advantages of licensing. Licensing also serves as a quality control measure. Owners of trademarks have the authority to impose rules and regulations on licensees regarding the use of their marks. This keeps the trademark's integrity and reputation intact and guarantees that customers will always identify it with high quality. Furthermore, trademark owners may use licensing as a way to generate income. Trademark owners can increase their financial well-being by allowing others to use their trademarks and earning royalties or licensing fees. This can be especially helpful for startups or smaller companies trying to make money out of their intellectual property.

Legally speaking, licensing helps safeguard trademarks by providing a defined framework for permitted use. This can aid in preventing illegal use and infringement because license agreements usually include usage guidelines and penalties for violations. A rising understanding of the significance of intellectual property rights appears to be reflected in the Republic of North Macedonia's present trademark protection claims situation.

It seems that North Macedonia's legal system is changing to give trademarks strong protection. This is perhaps a good step for companies and entrepreneurs who want to build and protect their trademark identity. A well-designed system for protecting trademarks can help create a more stable and safe business climate, which attracts both local and foreign investment. Furthermore, it appears that companies in North Macedonia are becoming more conscious of the need of registering and protecting their trademarks. By being proactive, businesses may foster a positive business environment in which they can prosper on the strength of their goods and services rather than worrying about infringement or illegal use. Even yet, there might still be difficulties, and the success of trademark protection could depend on things like the effectiveness of the legal system, stakeholder awareness, and enforcement resources. The Republic of North Macedonia can further improve the overall efficacy of trademark protection by pursuing ongoing initiatives to expedite legal procedures, increase awareness, and offer assistance to businesses.

¹⁵ Kiril Chavdar, Kimo Chavdar, Commentary on the Law of Obligation Relations, Skopje, AKADEMIK, 2012 p. 823

Official data of requests for trademark protection in the Republic of North Macedonia for the eleven-year period from 2011 to 2021 by the Office and processed by the author using the statistical method and then presented in the form of results through the graph. The results show a different trend of the movement of numbers over the years of requests for protection and ensuring the protection of these rights through issued decisions, so for some years the trend is increasing (e.g. patents), for some this trend has leveled off with no apparent increase or decrease (eg trademarks), while for others the trend is downward (e.g. industrial design).¹⁶ In this study are shown the data on the average ranking difference for the applications for Trademarks in SPSH according to the years, according to which the year 2012 resulted with the highest average rank with MR=234.12, then the year 2013 with MR=226.26, difference from all. In other years starting from 2011 to 2021, while the lowest average of applications for Trademarks in the SPSH rank was 2018 with MR=172 and 2017 with MR=172, this difference is statistically significant at the p level <0.01 (Chi-Square=36.714, df = 10).¹⁷ In conclusion, while it seems that there is progress in recognizing and protecting trademarks in North Macedonia, there is likely room for ongoing improvements. The collaboration between the government, businesses, and legal entities can contribute to a more robust and reliable trademark protection environment, fostering a conducive atmosphere for economic growth and innovation.

5. Conclusion

The legal framework for trademarks in the Republic of North Macedonia is designed to foster a fair business environment by protecting the rights of trademark owners. It provides a mechanism for registration, enforcement, and protection against infringement, ultimately contributing to the development of a robust intellectual property landscape in the country. While it seems that there is progress in recognizing and protecting trademarks in North Macedonia, there is likely room for ongoing improvements. The collaboration between the government, businesses, and legal entities can contribute to a more robust and reliable trademark protection environment, fostering a conducive atmosphere for economic growth and innovation.

In principle, there is a widely accepted view that intellectual property drives innovation. Taking into account the fact that at the international and EU level, the regulation of this field is in continuous development to simplify the rules and strengthen the implementation, North Macedonia has given evidence that it is following the new challenges step by step and with the purpose of harmonizing local regulations with the new solutions.

The analysis of the situation in the practice of applications and decisions issued for the recognition of trademarks in the period 2011-2021 shows a trend of no increase or a gradual decrease. However, the figures still reflect the current state of innovative and technological development in the country. From the point of view of domestic and foreign applications, in the cases of trademarks, the number in favor of domestic ones compared to foreign ones is evident.

In addition to the legal aspects, it is imperative for businesses engaging in licensing agreements within the Republic of North Macedonia to consider cultural nuances and market trends. Understanding the local consumer behavior and preferences is crucial for tailoring licensing strategies that resonate effectively with the target audience.

¹⁶ Faton Shabani, Industrial property: an overview of protection in the Republic of North Macedonia, The Scientific Journal JUSTICIA, University of Tetovo, 2023, p. 105

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¹⁷ State Office of Industrial Property of the Republic of North Macedonia

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