

THE COMPLETE STEPS TO COMPLEX IP LICENSING CONFERENCE

Step 6: Mastering Subject Matter Areas/Character Licensing

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TYPES OF CHARACTER LICENSES

- Cartoons (Sponge Bob Square Pants)
- Classic characters (Batman, Mickey Mouse)
- Books (Harry Potter)
- Television Shows (Star Trek)
- Movies (Shrek)

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TYPES OF LICENSING

- Merchandise (anything under the sun)
- Sponsorship
 - Sporting events - Olympics (special legislation regarding the Olympics), X-games, etc.
 - Other events (fairs, circus, etc.)
 - Other services (bankcards)

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TYPES OF LICENSING (cont'd)

- Promotions (QSR, e.g., McDonald's)
- Product placement

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LICENSING STRATEGY

- Business/legal issues
 - What image do you want to project?
 - Use of trade channels to control image
 - Limitations on licensed activities to control image
 - Target audience/demographics

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LICENSING STRATEGY (cont'd)

- Strategic considerations regarding breadth of licensing
 - Mass licensing (make hay while the sun shines)
 - Refrain from mass licensing (show rollout or controlled categories)

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LICENSING STRATEGY (cont'd)

- Consider possibility of burnout
- Consider cyclical nature of licensing
- Consider long-term approach to licensing
- Consider type of character – classic with deep roots; new with shallow roots

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LICENSING STRATEGY (cont'd)

➤ Additional considerations regarding licensing strategy:

- Licensing agent
 - Benefits versus costs
 - Incentives, minimums
 - Who executes the licenses
 - Key issues of control

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LICENSING STRATEGY (cont'd)

- Direct licensing
 - Key issue of control
 - Possible master license
- Consider master license in major categories
- Consider combined use of direct licensing and licensing agent (e.g., agent with tight control)

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LICENSING STRATEGY (cont'd)

- Importance of finding the right partners
- Is movie or TV deal contemplated?
- Consider effects of present licensing on possible movie or TV deal

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LICENSING STRATEGY (cont'd)

- Getting ready to license
 - Make sure IP house is in order
 - Trademark registrations
 - Think creatively about trademarks
 - Consider trademark protection for colors, sounds, shapes, character names
 - Consider trademark registration for key objects and character stories

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LICENSING STRATEGY (cont'd)

- Consider intent to use applications in the U.S.
- Consider foreign filings
- Copyright registrations for important works

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LICENSING STRATEGY (cont'd)



Finding licensing partners

- Licensing agent
- Licensing shows
- Research potential partners thoroughly

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LICENSING STRATEGY (cont'd)

➤ Key license terms

- What is licensed? – Subject matter of license
 - Key aspects are usually trademark and copyright
 - Be specific
 - Evolving technologies

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LICENSING STRATEGY (cont'd)

- Exclusive or non-exclusive
- Duration of license
 - Renewal terms (automatic?)
 - Performance-based renewals?

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LICENSING STRATEGY (cont'd)

- Royalty rates/license fees
 - Somewhat goods-specific and fame of character dependent
 - Royalty applied to what (percentage of gross, percentage of net)
 - Account for returns (fixed maximum)
 - Guaranteed minimums
 - Audit right

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LICENSING STRATEGY (cont'd)

Territory

- Worldwide
- Regional
- Worldwide for some categories, regional for others

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LICENSING STRATEGY (cont'd)

Quality control

- Quality standards
- Approval/logistics/timeliness
- Style guides
- Right to inspect
- Complaint monitoring

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LICENSING STRATEGY (cont'd)

- Patent, trademark and copyright marking
- Ownership of IP - derivative works and modified marks
- Promotion/advertising requirements
 - Approval of advertising programs
 - Minimum promotional efforts

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LICENSING STRATEGY (cont'd)

- Licensee restrictions to prevent similar/competing activities
- Who controls litigation
 - Monitoring and reporting infringement
 - Who pays for litigation
 - Cooperation in litigation
 - How are damages accounted for
 - Who controls settlement

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LICENSING STRATEGY (cont'd)

■ Termination

- Grounds
- Failure to pay license fees
- Failure to conform to quality control standards
- Inability to meet performance goals or criteria
- Change of control

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LICENSING STRATEGY (cont'd)

- Bankruptcy or similar event (e.g., ceases to do business)
- Is there a cure period

■ Disputes

- Arbitration/mediation
- Litigation
 - Forum selection clauses
 - Attorney fee provisions

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LICENSING STRATEGY (cont'd)

- Assignment provisions
- Representations and warranties
 - Representations and warranties regarding infringement
 - Representations and warranties regarding ownership of marks, copyrights, character rights, exclusivity
 - Indemnities

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LICENSING STRATEGY (cont'd)

- Insurance
- Confidentiality

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LICENSING STRATEGY (cont'd)

- Special considerations regarding movie/entertainment deals
 - Importance of agent
 - Role of agent
 - Role of producer
 - Turnaround rights
 - Minimum expenditures/assurances that movie will be adequately promoted

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LICENSING STRATEGY (cont'd)

- Sequel rights
- Consider minimum performance criteria
- Approval rights
- Ownership rights
- Ownership of movie merchandising rights
- Royalties

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