Fundamentals of Licensing

Table of Contents

[ABOUT THE AUTHORS v](#_Toc189574740)

[Preface viii](#_Toc189574741)

[About the Contributors x](#_Toc189574742)

[Chapter 1 Defining the World of Licensing 1](#_Toc189574743)

[1.1 The Language of Licensing 1](#_Toc189574744)

[1.1.1 What is Licensing? 1](#_Toc189574745)

[1.1.2 Contract Terms 2](#_Toc189574746)

[1.2 Types of Properties 5](#_Toc189574747)

[1.2.1 Art 5](#_Toc189574748)

[1.2.2 Celebrities & Influencers 8](#_Toc189574749)

[1.2.3 Collegiate 11](#_Toc189574750)

[1.2.4 Corporate 15](#_Toc189574751)

[1.2.5 Digital and Video Games 22](#_Toc189574752)

[1.2.6 Entertainment 25](#_Toc189574753)

[1.2.7 Fashion 26](#_Toc189574754)

[1.2.8 Food & Beverage 32](#_Toc189574755)

[1.2.9 Music 36](#_Toc189574756)

[1.2.10 Non-Profit & Governmental 37](#_Toc189574757)

[1.2.11 Publishing 44](#_Toc189574758)

[11.2.12 Sports 48](#_Toc189574759)

[1.2.13 Toys 50](#_Toc189574760)

[1.3 Types of Licensed Products 52](#_Toc189574761)

[1.4 Examples of Unique Licensed Products 53](#_Toc189574762)

[1.5 Advantages Offered by Licensing and Reasons for Its Popularity 57](#_Toc189574763)

[Chapter 2 History of Licensing 60](#_Toc189574764)

[2.1 The Properties 60](#_Toc189574765)

[2.1.1 The Beginning 60](#_Toc189574766)

[2.1.2 History After the 1930’s 63](#_Toc189574767)

[2.2 Licensing International Award Winners 63](#_Toc189574768)

[2.3 The Major Licensors 66](#_Toc189574769)

[2.3.1 Top Global Licensors 2024 66](#_Toc189574770)

[2.3.2 Top Collegiate Licensors 2024 68](#_Toc189574771)

[2.3.3 Most Successful Licenses of 2024 68](#_Toc189574772)

[2.5 The Top Licensing Agents/Representatives 69](#_Toc189574773)

[2.6 The Major Licensees 70](#_Toc189574774)

[2.7 Licensing International’s Licensee of the Year Award Winners 71](#_Toc189574775)

[2.8 Licensing Hall of Fame Members 71](#_Toc189574776)

[Chapter 3 The Licensing Industry Today and Tomorrow 73](#_Toc189574777)

[3.1 Size and Scope of the Industry 73](#_Toc189574778)

[3.2 International Scope of the Industry 77](#_Toc189574779)

[3.2.1 Europe 77](#_Toc189574780)

[3.2.2. Asia 82](#_Toc189574781)

[3.2.3. Australia & New Zealand 99](#_Toc189574782)

[3.2.4 Latin America 103](#_Toc189574783)

[3.2.5 Africa 110](#_Toc189574784)

[3.3 What the Future Bodes—Challenges and Expectations 112](#_Toc189574785)

[Chapter 4 Identifying and Clearing Licensing Properties 116](#_Toc189574786)

[4.1 Evaluating Properties for Licensing 116](#_Toc189574787)

[4.2 How Well-Known Is the Property? 117](#_Toc189574788)

[4.3 Ownership Considerations 120](#_Toc189574789)

[4.4 Clearing Properties 123](#_Toc189574790)

[Chapter 5 Protecting Licensing Properties 128](#_Toc189574791)

[5.1 Introduction 128](#_Toc189574792)

[5.2 Protection in the United States 129](#_Toc189574793)

[5.2.1 Trademark Protection 129](#_Toc189574794)

[5.2.2 Copyright Protection 132](#_Toc189574795)

[5.2.3 Patent Protection 134](#_Toc189574796)

[5.2.4 Right of Publicity Protection 134](#_Toc189574797)

[5.3 International Protection 135](#_Toc189574798)

[5.3.1 Harmonization of IP Laws 135](#_Toc189574799)

[5.3.2 International Intellectual Property Treaties 136](#_Toc189574800)

[5.3.3. International Trademark Clearance and Adoption 137](#_Toc189574801)

[Chapter 6 The Licensor–Licensee Relationship 145](#_Toc189574802)

[6.1 Introduction 145](#_Toc189574803)

[6.2 The License Application 145](#_Toc189574804)

[6.3 The Negotiations 146](#_Toc189574805)

[6.4 Term Sheets/Deal Memos 155](#_Toc189574806)

[Chapter 7 Royalty Rates 157](#_Toc189574807)

[7.1 Introduction 157](#_Toc189574808)

[7.2 Setting Royalty Rates 157](#_Toc189574809)

[7.3 Types of Royalty Rates 161](#_Toc189574810)

[7.3.1 Royalty Rates on Domestic Sales 161](#_Toc189574811)

[7.3.2 Royalty Rates on F.O.B. Sales 162](#_Toc189574812)

[7.3.3 Royalty Rates on Direct Sales 163](#_Toc189574813)

[7.3.4 Royalty Rates for Services 164](#_Toc189574814)

[7.3.5 Sub-Licensing Royalties 164](#_Toc189574815)

[7.3.6 Split Royalty Rates 164](#_Toc189574816)

[7.3.7 Royalty Rates on Closeout Sales 165](#_Toc189574817)

[7.3.8 Royalty Rates For Digital Products 165](#_Toc189574818)

[7.3.9 Royalty Rate for Direct-to-Retail Products 165](#_Toc189574819)

[7.4 Average Royalty Rates 166](#_Toc189574820)

[7.5 Net Sales, Advances and Guarantees 167](#_Toc189574821)

[7.6 Marketing Contributions 168](#_Toc189574822)

[Chapter 8 The License Agreement 169](#_Toc189574823)

[8.1 Introduction 169](#_Toc189574824)

[8.2 The License Agreement 169](#_Toc189574825)

[8.2.1 Definitions 169](#_Toc189574826)

[8.2.2 Grant of Rights 170](#_Toc189574827)

[8.2.3 Term of the Agreement 172](#_Toc189574828)

[8.2.4 Compensation Provisions 173](#_Toc189574829)

[8.2.5 Sub-Licensing 174](#_Toc189574830)

[8.2.6 Accounting Provisions 175](#_Toc189574831)

[8.2.7 Quality Control Provisions 178](#_Toc189574832)

[8.2.8 Representations and Warranties 179](#_Toc189574833)

[8.2.9 Indemnification and Insurance 180](#_Toc189574834)

[8.2.10 Termination Provision 182](#_Toc189574835)

[8.2.11 Boilerplate Provisions 183](#_Toc189574836)

[Chapter 9 Best Practices for Licensing Administration 188](#_Toc189574837)

[9.1 Introduction 188](#_Toc189574838)

[9.2 The Certifying Department 188](#_Toc189574839)

[9.2.1 The Marketing Group 189](#_Toc189574840)

[9.2.2 The Sales Group 192](#_Toc189574841)

[9.2.3 The Contract Administration and Legal Group 196](#_Toc189574842)

[9.2.4 The Finance Group 199](#_Toc189574843)

[9.2.5 The Retail Group 199](#_Toc189574844)

[9.2.6 The Creative Group 201](#_Toc189574845)

[9.3 International Licensing 203](#_Toc189574846)

[9.4 Using Technology to Better Manage a Licensing Program 204](#_Toc189574847)

[9.4.1. Higher Production Volume 204](#_Toc189574848)

[9.4.2 Increased Productivity 206](#_Toc189574849)

[9.4.3. Authentication and End-User Affinity 207](#_Toc189574850)

[9.4.4. More Efficient Use of Materials 207](#_Toc189574851)

[9.4.5 Better Product Quality 208](#_Toc189574852)

[9.4.6 Improve Safety & Operations Efficiency 209](#_Toc189574853)

[9.4.8 Shortened Work Days 211](#_Toc189574854)

[9.4.9 Areas of Licensing Automation 211](#_Toc189574855)

[9.4.10 Summary 213](#_Toc189574856)

[9.5 Building a Compelling Licensing Plan 214](#_Toc189574857)

[9.5.1 Is your brand/product merchandisable 214](#_Toc189574858)

[9.5.2 Why become a licensee? 216](#_Toc189574859)

[9.6 Creating a Compelling Brand Guide 216](#_Toc189574860)

[9.7 Forecasting in Today’s Licensing World 217](#_Toc189574861)

[9.8 Marketing, Public Relations & Social Responsibility 218](#_Toc189574862)

[9.8.1 Marketing and Common Marketing Funds 218](#_Toc189574863)

[9.8.2 The Importance of a Strong Public Relations Program 219](#_Toc189574864)

[9.8.3 Promotions, Premiums & Product Placements 224](#_Toc189574865)

[9.8.4 Advertising Programs 229](#_Toc189574866)

[9.8.5 The Use of Social Media 235](#_Toc189574867)

[9.9 Importance of Sustainability 243](#_Toc189574868)

[9.9.1 Engage Consumers 244](#_Toc189574869)

[9.9.2 Looking Through a Different Lens 245](#_Toc189574870)

[9.9.3 Partner Up 246](#_Toc189574871)

[9.9.4 Areas for Improvement 247](#_Toc189574872)

[9.10 Ethics & Social Compliance in Licensing 248](#_Toc189574873)

[9.10.1 Key Terms 249](#_Toc189574874)

[9.10.2. Ethical Pitfalls to Watch for in License Agreements 249](#_Toc189574875)

[9.10.3. Practicing Social Responsibility in License Agreements 250](#_Toc189574876)

[9.10.4. Tips for Ensuring Compliance in License Agreements 251](#_Toc189574877)

[9.11 International Licensing Issues 252](#_Toc189574878)

[9.11.1 Introduction 252](#_Toc189574879)

[9.11.2 Challenges 252](#_Toc189574880)

[9.12 Impact of Artificial Intelligence 255](#_Toc189574881)

[9.12.1 Introduction. 255](#_Toc189574882)

[9.12.2 Impact on IP Protection 255](#_Toc189574883)

[9.12.3 Impact on Enforcement of Rights. 257](#_Toc189574884)

[9.12.4 Impact on Creative Development 258](#_Toc189574885)

[9.12.5 Impact on Day-to-Day Operations 259](#_Toc189574886)

[9.12.6 What Comes Next? 260](#_Toc189574887)

[CHAPTER 10 Licensing Agents & Consultants 261](#_Toc189574888)

[10.1 Introduction 261](#_Toc189574889)

[10.2 The Role and Compensation of a Licensing Agent 262](#_Toc189574890)

[10.3 Licensing Agent Agreement 266](#_Toc189574891)

[10.4 Sub-Agents and International Licensing Agents 273](#_Toc189574892)

[10.5 Manufacturer’s Consultants/Representatives 275](#_Toc189574893)

[10.6 Making the Relationship Work 277](#_Toc189574894)

[10.6.1 Full Service, Partial Service or Specific Service 278](#_Toc189574895)

[10.6.2 Considerations: Brand Fame 281](#_Toc189574896)

[10.6.3 Summary 284](#_Toc189574897)

[Chapter 11 The Retailer’s Role in Licensing 285](#_Toc189574898)

[11.1 Introduction 285](#_Toc189574899)

[11.2 Big Box v. Mom & Pop 285](#_Toc189574900)

[11.3 Channels of Distribution 286](#_Toc189574901)

[11.4 What Are Retailers Looking For? 297](#_Toc189574902)

[11.5 How to Get Retail Placement 298](#_Toc189574903)

[11.6 Direct-to-Retail (DTR) Licenses 299](#_Toc189574904)

[11.7 In Studio with a Retail Expert, Andy Cohen 301](#_Toc189574905)

[Chapter 12 Accounting, Auditing, and Tax Considerations 309](#_Toc189574906)

[12.1 Introduction 309](#_Toc189574907)

[12.2 Audit Provisions in the License Agreement 309](#_Toc189574908)

[12.2.1 Right to Audit 310](#_Toc189574909)

[12.2.2 Record Keeping 311](#_Toc189574910)

[12.2.3 Interest on Findings 312](#_Toc189574911)

[12.2.4 Extrapolation 312](#_Toc189574912)

[12.2.5 Recovery of Audit Fees 312](#_Toc189574913)

[12.3 When Should an Audit Be Performed? 312](#_Toc189574914)

[12.4 Selecting the Royalty Auditor 313](#_Toc189574915)

[12.5 Preparing for the Royalty Audit 314](#_Toc189574916)

[12.6 Information Required from the Licensee 315](#_Toc189574917)

[12.6.1 Sales Journals, Invoices, Cash Receipts, and Banking Records 316](#_Toc189574918)

[12.6.2 Manufacturing and Purchasing Records 316](#_Toc189574919)

[12.6.3 Inventory Records 316](#_Toc189574920)

[12.6.4 Credit Memo Journals 317](#_Toc189574921)

[12.6.5 General Ledgers, Tax Returns and Financial Statements 317](#_Toc189574922)

[12.6.6 Product Catalogs and Web Sites 317](#_Toc189574923)

[12.6.7 Price Lists 317](#_Toc189574924)

[12.7 Royalty Audit Procedures 317](#_Toc189574925)

[12.8 The Royalty Audit Report 319](#_Toc189574926)

[12.8.1 Common Monetary Findings 319](#_Toc189574927)

[12.8.2 Common Non-Monetary Findings 320](#_Toc189574928)

[12.9 Accounting Provisions in License Agreements 320](#_Toc189574929)

[12.9.1 Definition of Terms 321](#_Toc189574930)

[Chapter 13 Dealing with Infringements and Counterfeits 324](#_Toc189574931)

[13.1 Introduction 324](#_Toc189574932)

[13.2 Steps to Take Against Infringers 325](#_Toc189574933)

[13.2.1 Cease and Desist Letters 325](#_Toc189574934)

[13.2.3 Theories of Litigation 325](#_Toc189574935)

[13.2.4 Keeping a Perspective on Litigation 328](#_Toc189574936)

[13.2.5 Litigation Strategies 329](#_Toc189574937)

[13.3 International Enforcement 330](#_Toc189574938)

[13.3.1. Misuse. 330](#_Toc189574939)

[13.4 Setting Up an Enforcement Program 332](#_Toc189574940)

[13.4.1 New License Agreements 332](#_Toc189574941)

[13.4.2 Existing License Agreements 332](#_Toc189574942)

[13.5 Resources for an Enforcement Program 333](#_Toc189574943)

[13.5.1 In-House Counsel/Outside IP Firms 334](#_Toc189574944)

[13.5.2 Licensees 334](#_Toc189574945)

[13.5.3 Investigators/Law Enforcement/Customs. 334](#_Toc189574946)

[13.5.4 The Internet. 335](#_Toc189574947)

[13.6 The Counterfeiting Industry–a Growing Market 337](#_Toc189574948)

[13.7 Working With Customs to Help Enforce IP Rights 338](#_Toc189574949)

[CHAPTER 14 The Lighter Side of Licensing 342](#_Toc189574950)

[Garfield Comics 342](#_Toc189574951)

[Peanuts Comics 342](#_Toc189574952)

[Archie Comics Strips 344](#_Toc189574953)

[Other Comic Strips 345](#_Toc189574954)

[CHAPTER 15 Battersby’s Rules on Licensing 347](#_Toc189574955)

[Chapter 16 Simon Says About Licensing 349](#_Toc189574956)