

Licensing in the 21st Century: The Licensor's Perspective

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Elizabeth Dambriunas began her lengthy legal career in 1985 at Warner Bros. Inc., handling worldwide business and legal affairs for Warner Bros. Consumer Products, primarily licensing the Looney Tunes characters and the DC Comics franchise properties, most notably the “Batman” motion pictures. She left Warner Bros. in 1994 to join the Viacom family at Paramount Pictures, as Vice President, Business and Legal Affairs of the studio’s Licensing Group, handling the “Star Trek” property, while also negotiating deals for the “Cheers” restaurant and pub in London, and the “Bubba Gump Shrimp Company” restaurants, based on the Oscar winning film “Forrest Gump.” In 1997 she relocated to New York to join Viacom’s MTV Networks division and became Senior Vice President and Deputy General Counsel of Nickelodeon and MTV’s global ancillary businesses. While at Viacom, Elizabeth handled master toy deals, master interactive software deals, theme park, hotel, and cruise ship licensing deals, and home video and digital media distribution deals for all of Nickelodeon’s successful television and motion picture properties, from “Blues Clues” to “Spongebob Squarepants” to “Dora the Explorer.”

She left Viacom in June 2010 to start her own transactional practice and to pursue her interest in teaching. She currently teaches Entertainment and Media Law at New York Law School and also serves as the Faculty Advisor for student internships within the Entertainment and Intellectual Property fields. Her clients include production companies, publishers, licensing agencies, and IP owners such as CBS Broadcasting, CBS Consumer Products, Out of the Blue Worldwide, LLC, Open Road Integrated Media, Inc., Established Brands, Inc., and Kratt Brothers Company. She has participated in numerous entertainment and licensing industry panels and seminars, including the Los Angeles County Bar Association, Practising Law Institute, Licensing Expo – Licensing University, and the Association of Independent Music Publishers.

Elizabeth is a graduate of the University of Toledo (BA in English Literature, 1982, magna cum laude) and New York Law School (JD 1985).

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Some History...

- 1985 – Licensing Corporation of America – the licensing arm of Warner Bros., DC Comics, MLB Properties and the NHL.
- 1989 – Warner Bros Consumer Products
- 1994 – Paramount Pictures
- 1997 – Nickelodeon/MTV/Comedy Central
- 2010 – to private practice

Before you Draft the Contract

- Who has the leverage? Why?
- Is this a new relationship? If not, what changes were made in the prior Agreement? Include them again? What has changed in the industry since the execution of the prior Agreement (examples: sustainability, product testing, marketing fund)

Deal Points

1. The Property – define it as narrowly and as accurately as possible. If you mean just Coca-Cola and not Coke Zero, say so. If there are several iterations of the brand, logo or property, include only the one(s) you intend to license (example, if entertainment content: book, motion picture, TV series, live stage).

- The " _____ " name, trademark and logo used in connection with the _____ television series entitled " _____ " (the "Series") and in connection with the _____ Series, all names, trademarks and likenesses of characters contained within.

The Property, cont.

- The _____ television series, but only for those certain Licensed Products as expressly specified below in the "Licensed Products" section, from _____'s _____ domestic television programming service, including story elements, title, key art, names, trademarks, logos and characters, including character or performer likenesses and voice (but only as approved by Licensor pursuant to the terms of this Agreement and only to the extent such talent has granted such rights to Licensor) as well as all other related materials that are provided to Licensee and duly approved by Licensor. In no event will "Property" include any musical compositions.
- The term "Property" shall mean the material specified in Schedule A of this Agreement. For the avoidance of doubt, the parties agree that this Agreement applies to the television program, television program series and/or motion pictures (if any) only as set forth in Schedule A (the "Programs") and expressly not to any sequels, prequels, remakes, or any other production or work based on, derived from or inspired by the Programs.

Territory

- Be cautious about granting worldwide rights.
- If the Territory includes Europe, be mindful of EU requirements.

"Licensee shall not solicit sales of any Licensed Products outside the Licensed Territory nor establish any branch, sales office, production plant or depot outside the Territory for the distribution of Licensed Products without LICENSOR's prior written consent. Further, the labels, packaging and promotional or accompanying materials on or included with each Licensed Product shall be solely in the Language specified in the Basic Provisions hereof."

**Distribution Channels should not be an automatic give.
Here is a traditional list:**

- Mass market stores (e.g., Kmart, Target and Wal-Mart);
- Club stores (e.g., BJ's Wholesale and Costco);
- Mass market home stores (e.g., Home Depot and Lowes);
- Mass market auto stores (e.g., Auto zone and Advance Auto);
- Mass market toy stores (e.g., Toys R Us and KB);
- Specialty toy stores (whether independent or chain);
- Mid tier stores (e.g., JC Penney, Kohl's and Sears);
- Department stores (e.g., Macy's and Dillard's);
- Upstairs department stores (e.g., Bloomingdales or Nordstrom);
- Food and grocery stores (whether independent or chain);
- Drug stores (whether independent or chain);
- Convenience stores (whether independent or chain);
- Book stores and college bookstores (whether independent or chain);
- Specialty stores (AS APPLICABLE including airport stores and military exchange stores, whether independent or chain);
- Specialty domestics retailers (whether independent or chain);
- Office supply stores (whether independent or chain);
- Party supply stores (whether independent or chain);
- Electronics stores (whether independent or chain);
- Card and gift stores (whether independent or chain);
- Gift stores (whether independent or chain);
- Stationery stores (whether independent or chain);
- Arts and craft stores (whether independent or chain);
- Music stores (whether independent or chain);
- Video stores (whether independent or chain);
- Comic book stores (whether independent or chain);
- Retail catalogs (All or just 'brick and mortar' (e.g., JC Penney catalog)
- Home Shopping Networks (e.g., QVC and HSN)

Consider whether (or not) to include Dollar Stores - Liquidators

- "It is agreed and understood by Licensee that with respect to retailers included in the foregoing Licensed Channels of Distribution, such retailers known in the industry or classified as so-called "99 cent", "dollar stores" or "liquidator" or "close-out" stores are expressly excluded herefrom. Additionally, for purposes of clarification, the channel of distribution listed above as mass market stores shall expressly exclude such so-called value discount stores or dollar stores."
- "It is further agreed and understood by Licensee that any channels of distribution granted as Licensed Channels are listed above, and accordingly, if a channel of distribution is not listed it is deemed not granted. As an example, retailers known in the industry or classified as so-called "mass-market toy stores" (e.g., Toys R Us and KB) are not listed above and therefore not included within the grant of this Agreement."

Online Distribution

Reluctant Yes:

"Notwithstanding any provision herein to the contrary, Licensor acknowledges that Licensee shall not be considered in breach of this Agreement in the event any retailer in the aforementioned Licensed Channels offers Licensed Products for sale via its proprietary website or retail catalogs; provided, however, that Licensee shall take all reasonable steps to ensure compliance with the following terms and conditions relating to such "online stores" or retail catalogs associated by operation, fulfillment and control with the corresponding "brick and mortar" Licensed Channel retailers:"

A Firm Yes:

Online or so-called "e-retailers" (e.g., AMAZON.COM); "brick and mortar" online retailers associated by operation, fulfillment and control with such corresponding retail stores or catalogs as included above; provided, however, that with respect to any such online Licensed Channel of Distribution sales, Licensee shall take all reasonable steps to ensure compliance with the following terms and conditions:

Online Concerns

- i) Licensee shall advise its customers, as applicable (e.g., traditional brick and mortar customers with proprietary websites and catalog operations, e-retailers and retail catalog companies) that orders may not be placed from outside the Licensed Territory and accordingly, may only be fulfilled for shipment within the Licensed Territory;
- ii) Only approved Licensed Products samples and/or photography may be shown, and only approved Licensed Product description and copy may be displayed. The Licensed Property logos and identification must be utilized at all times. All Licensed Product, logos, art or other Licensed Property design elements must be accompanied by the legal notice(s) as directed by Licensor; and
- iii) Retailers may not position the Licensed Products for sale in any "limited availability" or "last time available" basis or other similar descriptions that may imply collectability, deep discounting or close outs, without the express prior written approval of Licensor. Retailers should work through Licensee or Licensor marketing contacts in developing and approving marketing and promotional related events and information. Licensor promoted marketing events/information cannot be used on retailer websites [or in retailer catalogs] without the prior written consent of Licensor.
- Except as specified hereinabove, online sales are prohibited under this Agreement.
- The parties agree that all online sites of "e-retailers" are included, but may be withdrawn herefrom on three (3) months prior written notice.

The rest of the Agreement...

- **Exclusivity** – should be granted rarely and with corresponding guarantees/performance requirements. Remember also that a License Agreement is considered an executory contract under Bankruptcy Law.
- **Right to audit books and records**
- **Right to inspect factory** – including authorizing a 3rd party to inspect on Licensor's behalf.

Code of Conduct

- **Code of Conduct:** Licensee agrees, on its own behalf and on behalf of any third-party manufacturer it uses, wherever located, that no child labor will be used in the performance of this Agreement whatsoever. For this purpose, a "child" shall refer to any person younger than 15 (or 14 where local law allows) or, if higher, the local legal minimum age for employment or the age for completing compulsory education. Manufacturers employing young persons who do not fall within the definition of "children" will also comply with any laws and regulations applicable to such persons. Additionally, all employees will be provided with a safe and healthy workplace environment, and all employees will work on a voluntary basis, and shall not be subject to physical or mental punishment of any kind. Licensee and all manufacturers shall respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference. Further, Licensee and all manufacturers shall comply with all local laws, including but not limited to, applicable wage laws and fair employment practices including the practice of non-discrimination on the basis of race, religion, national origin, political affiliation, sexual preference, or gender. Licensee and all manufacturers will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation, and provide legally mandated benefits. Licensee and its manufacturers will further comply with all applicable environmental laws and regulations. Licensee and its manufacturers shall submit to reasonable on-site inspections conducted by Licensor or its designated representative, to ensure compliance with these provisions.

Product Compliance

- Product Quality:

"The Licensed Products and all materials used in connection therewith shall be of the highest standard reasonably suitable for goods of the type of the Licensed Products. The Licensed Products will be safe for use by consumers and will comply with all applicable governmental rules and laws, guidelines, codes, regulations, and warranties (express or implied) including, without limitation those contained in the Child Safety Protection Act, and/or adopted by the Food and Drug Administration or Consumer Product Safety Commission. In connection therewith, Licensee shall follow reasonable and proper procedures for testing such that the Licensed Products comply with the aforementioned applicable governmental rules and laws, guidelines, codes, regulations, and warranties (collectively, the "Safety Standards"), and additionally, shall give due consideration to any Licensor recommendations that Licensed Products shall exceed such requirements."

Product Testing/Sustainability

- How much knowledge is the right amount of knowledge? Depends on the position of the Licensor.

Kratt Brothers -----CBS---MLB-----Nickelodeon/Universal/Warner Bros/Disney

- Sustainability Clause

"Licensee will regularly assess the sustainable development implications of its policy and practice, including looking to making the delivery of services more socially, economically and environmentally sustainable. As such, sustainable procurement will consider the environmental, social and economic consequences of design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operations; re-use; recycling options; disposal and suppliers' capabilities to address these consequences throughout the supply chain."

Indemnification - Limitation on Liability

- (a) Licensee will at all times indemnify and hold LICENSOR and its respective officers, directors and employees harmless from and against any and all third party claims, and all damages, liabilities, costs and expenses, including reasonable counsel fees related thereto, arising out of any breach or alleged breach by Licensee of any representation, warranty or undertaking made herein, or out of any defect (latent or patent) in the Licensed Products, provided that LICENSOR shall give prompt written notice, cooperation and assistance to Licensee relative to any such claim or suit, and Licensee has the right to undertake and conduct the defense and/or settlement of any such claim or suit, and provided further that no settlement of any such claim or suit shall be made without the prior written consent of LICENSOR, such consent not to be unreasonably withheld or delayed.
- (b) LICENSOR will at all times indemnify and hold Licensee, its officers, directors and employees harmless from and against any and all third party claims, and all damages, liabilities, costs and expenses, including reasonable counsel fees related thereto, arising out of any breach or alleged breach by LICENSOR of any representation, warranty or undertaking made herein, provided that Licensee shall give prompt written notice, cooperation and assistance to LICENSOR relative to any such claim or suit, and provided further that LICENSOR shall have the option to undertake and conduct the defense and/or settlement of any such claim or suit so brought and that no settlement of any such claim or suit is made without the prior written consent of Licensee, such consent not to be unreasonably withheld or delayed.
- (c) Notwithstanding any provision herein to the contrary, neither LICENSOR nor Licensee will be responsible for any consequential, special, punitive or other indirect damages, including, without limitation, lost revenue or profits, in any way arising out of or related to this Agreement or such party's performance hereunder, even if such party has been advised of the possibility of such damages; provided that the foregoing limitations will not apply to either party's indemnification obligations or confidentiality obligations hereunder.

Sell-Off/Assignability

- **Sell-Off:**

"Upon expiration of this Agreement, so long as Licensee is not in default hereunder, Licensee may continue to sell any Licensed Products, previously manufactured and on hand, on a non-exclusive basis during the period of ninety (90) days thereafter subject to all of the terms and conditions contained in this Agreement and provided that: (i) the Licensed Products are sold in the ordinary course of business at prices not lower than the prevailing wholesale price or prices charged by Licensee during the ninety (90) day period immediately preceding expiration; (ii) no new Licensed Products are manufactured during such sell-off period; and (iii) LICENSOR is paid its then existing Royalty Rate on all Licensed Products sold during the sell-off period."

- **Assignability:**

"Any attempted or purported assignment or other transfer, sublicense, mortgage or other encumbrance of this Agreement and the rights granted herein to Licensee without the prior written approval of LICENSOR, which approval may be granted or withheld by LICENSOR in its sole and absolute discretion, shall be void and of no effect. This Agreement and the rights and obligations of the parties hereunder shall be binding upon and shall inure to the benefit of LICENSOR and Licensee and their respective legal representatives, successors in interest and permitted assigns."
