

# Licensing Mastery....

## CEO Space 508

Presented By:  
Rand Brenner  
President & CEO  
Licensing Consulting Group

# Your Speaker

- Rand Brenner
  - 20+ Years in Licensing
    - Licensing Consulting Group
    - Warner Bros. Consumer Products
    - Saban Entertainment
    - Geneon Entertainment

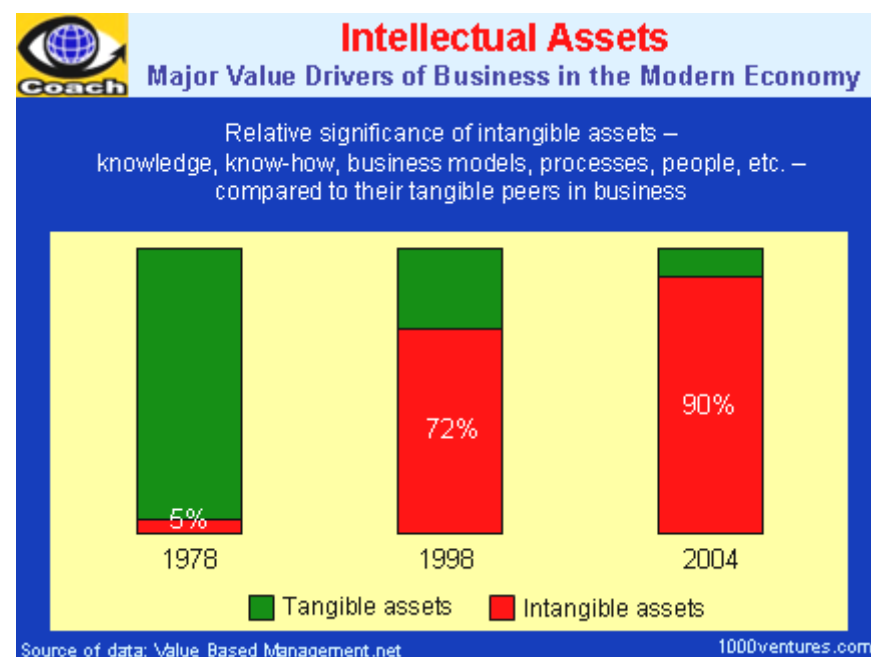


# Licensing is...

- A different way of thinking about the use of "intellectual property" - which is the legal term for someone's *idea*.
- A framework to unite the owners of these *ideas* with the people who know how to sell them.
- A function of *marketing* - they work hand-in-hand. The more you understand about good marketing principles, the faster you'll make a fortune in licensing.

# IP – The Intangible Asset

- Innovative Products or Services
  - Patent / Trademark / Copyright
- IP Value Derived from Sum of its Parts
  - Core, Secondary & Tertiary
- IP is public Info
  - Doing Nothing Costs



# What Makes a Good IP...

- Market driven - in demand
- Inventive, novel, and protected
- Significant to a business
- Functional
- Can be produced economically
- Can be launched quickly

# Why License?

- Combines Resources
- Broadens geographic markets
- Broadens product markets
- Speeds Entry to Market
- Combine products to improve sales
- Expand into non-competing fields
- Barter for Technology (R&D)
- Enhance Consumer Awareness (w/trademark)
- Innovation and/or Market Control

# Key Benefits...

- Create Wealth by letting other people market and sell your IP.....
- Builds teams of professionals
- Creates new streams of money
- Frees up "idea-people"

# Licensing is Lucrative

- Creative people who provide the ideas
- Business people to promote the ideas and bring products to market
- Agents to spot new opportunities and act on them!

# Cash Flow Machines...

- \$120 billion in royalty revenues generated annually from patent licenses. (*“Patents pending”, U.S. News & World Report, June 10, 2002*)
- In the US, manufacturers paid \$6.04 billion in licensing royalties in 2006 (up 1.5 percent from 2005), *International Licensing Industry Merchandisers’ Association (LIMA)*.

# Creating Value

\$\$\$\$\$\$+ - Multiple Licenses

\$\$\$\$\$ - Initial Licensing Deal

\$\$\$\$ - Commercially Marketed

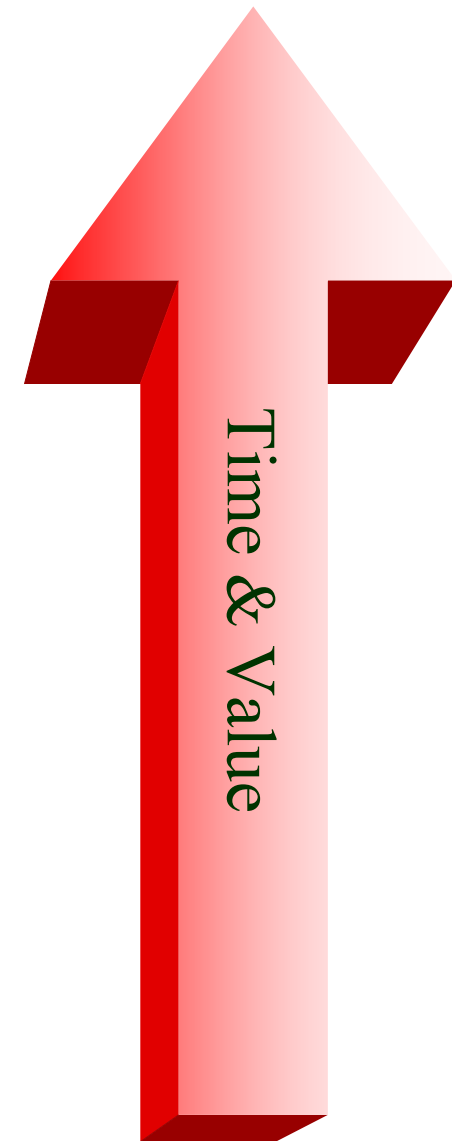
\$\$\$ - US Patents Issued

\$\$ - Foreign Patents Filed

\$\$ - Working Model

\$ - Patent(s) Filed

? - Raw Idea



# Global Licensing Markets

## Top 5 Global Licensing Markets

(Estimated sales at retail of licensed merchandise  
in billions of dollars, 2006)

<b>United States</b>	\$108.0
<b>UK</b>	\$17.2
<b>Germany</b>	\$12.7
<b>Japan</b>	\$11.0
<b>France</b>	\$7.7

Source: LIMA, 2007

# Just Do It...

***90% of an invention's success is marketing it and getting it out.***

“[T]he idea is about 10 percent of this exercise; 90 percent of it is the marketing of it, getting it together, getting it out.” (Richard C. Levy, inventor of *Furby* “Profile: Independent toy inventor Richard C. Levy,” June 18, 2002 NPR)

# 4 Step Licensing Process

- Protect – An Intangible IP Asset
- Plan – Where Does the IP Fit?
- Prove – What's the Marketability / Value
- Present – Know the Partner / Numbers / Market

# How Many Patents

- ***As of February 2006...***
  - ***7 million patents issued by the U.S. Patent Office.***

# Licensing Strategy Options

- Product Category
  - Toys, Electronics, Novelty, etc
- Market Segment
  - Girls, Boys, Adults, etc.
- Niche Market
  - Sports, Automotive, Art, etc

# Action Makes It Happen

- Passive or Active Approach
  - 3<sup>rd</sup> Party Agents
  - Represent Yourself
- Timing is Everything
  - Dynamic Market
  - Position for Opportunity

# Success Is...

*.... 1% inspiration, 99% perspiration and  
the other 99% is marketing. — S. A.  
Coates, Carrville, Iowa*

# Get Fast Feedback

- Show it to Potential Customers
- Know Your Costs
- Ask A Retail Buyer
- Compare Your Product With Others
- Take It To A Trade Show
- Generate Revenues

# Know the Numbers

- Cost of Manufacturing and Selling the Product
- Price of Competing Products
- Market Price of Product
- Resulting Margin
- What's the Profitability

# Royalties Are...

- Fair Allocation of Profits
- Relative Contributions of the Parties
- Rule of Thumb – “75/25 Rule”
  - 25% Licensor/75% Licensee
  - **Caveat: Starting point only**
  - Other factors influence, plus or minus

# Get in the Game...

- Tradeshows ([biztradeshows.com](http://biztradeshows.com))
- Networking – Building the Relationships
- Industry Conferences – Understanding your market

# Present for Profit...

- ID The Right Partner
  - Does it fit the business model
- Show it in tangible form
  - Samples & Brocheures
- Know the Numbers
  - Companies Don't License ideas....they license MONEY

# Negotiating Basics

- Preparation, Preparation, Preparation
- Know the Technology, Competition & Business
- Goal is Win-Win Relationship, Not to “Win”
- Deal With The Difficult Issues
- A Bad Deal is Worse Than No Deal At All

# The Agreement Terms

- Territories
- Exclusivity, Sublicensing
- Guarantees (Sales or Fixed Rate)
- Advances – Amount, When
- Royalties (Percentage, Fixed or Variable)
- Marketing Dates
- Terms, Renewals, Options
- Controls – Products, Production & Promo

## To Summarize....

- Develop a Prototype
- Get it protected
- Analyze your target licensees
- Where does it fit
- Disclose the right way
- Present like a pro
- Know the Numbers
- Don't put all your eggs in one basket

# Some Resources



LICENSING EXECUTIVES SOCIETY  
INTERNATIONAL



# Contact Info...

Rand Brenner  
President & CEO  
Licensing Consulting Group  
Tel: (800) 204-6584  
Email: [rbrenner@licensingcg.com](mailto:rbrenner@licensingcg.com)  
[www.licensingcg.com](http://www.licensingcg.com)