

TLL THE LICENSING LETTER

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After Years of Decline, Entertainment/Character Licensing Reverses Course, Growing 3.6% in 2013

Retail sales of licensed merchandise based on entertainment/character properties in the U.S. and Canada saw a reversal of fortune in 2013, registering growth of 3.6%, according to *The Licensing Letter's Annual Licensing Business Survey*. This compares to a 3.7% decline in 2012 and outpaces the 2.2% growth for the business as a whole.

Entertainment/character was the third fastest-growing sector in the licensing business in 2013, after toys/games and fashion. Its positive direction and high position in the rankings are even more significant since this sector has declined every year since 2008, when the recession began.

According to survey respondents and other licensing executives, the increase in 2013 was driven by three main factors:

- ▶ An eclectic mix of films and television shows that achieved some success during the year, including *Frozen*, *Despicable Me 2*, Disney Junior properties including "Sofia the First" and "Doc McStuffins," "Teenage Mutant Ninja Turtles," "Duck Dynasty," "Big Bang Theory," and a variety of cable series for adults such as "Breaking Bad," "The Walking Dead," "Dexter," and "Sons of Anarchy."
- ▶ Growing ties between the fashion industry and entertainment/character properties, from new apparel-friendly and on-trend style guides to fast-fashion deals to designer collaborations and co-branding to TV- and film-based capsule collections. These types of programs not only add exposure and spur some sales, but also tend to drive sales at the lower tiers of distribution, licensing executives say.
- ▶ Rising sophistication and effectiveness in how entertainment/character properties are exposed through a variety of media venues, including social media, which increases the chances that kids are aware of them, no matter their origin.

"Properties where the consumers can fully immerse themselves across multiple platforms and through various product purchases are generally doing really well," says one licensor.

"The blurring of lines between content and toy and back to content, moving seamlessly, is great for the industry," adds another.

Areas of Concern?

While the news was, on balance, positive for the entertainment/character sector this year, there were some ongoing concerns, as well as hints of potential trouble ahead. The command over shelf space of the Disney-owned portfolio continues to elicit a significant share of discussion from survey respondents, as it has for the last several years.

"The kids' entertainment space is dominated by one powerhouse—Disney/Marvel/

Continued on page 3

SURVEY TRENDS, PART II

It's the Economy, and All That Goes With It

"The recession is still in full force no matter what anyone says," says one respondent to *The Licensing Letter's Annual Licensing Business Survey* (see *TLL* March 17, 2014, page 1).

"Stagnation in disposable income led to critical buying decisions at the consumer level," notes a licensee. "This led retailers to be very careful in planning inventory levels." Other ramifications included lower budgets throughout the business, for marketing, purchasing, production, and product development.

The sluggish economy and all that comes with it—joblessness, consumers' avoidance of nonessential purchases, licensing executives' job security, et al.—is cited as a concern by 44% of U.S. and Canada-focused survey respondents, second only to the impact of social media (see also the March 17, 2014, issue).

Continued on page 11

Inside This Issue

Fender Hits a Homer ...	2
Winning the NFL Players Association	2
Not Just for Boys	2
Retail Sales of Licensed Merchandise By Product Category	3
Retail Sales of Licensed Merchandise By Distribution Channel	4
Warner Wins \$2.57 Million in Long-Running Infringement Case	4
Licensing News	5
Contacts & Connections	8
Trash Talking	10
Nuances of EU Territorial Rights	10
Why Oculus and Other VR Projects Matter for Licensing	10
Who's News	12



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➡ Licensing Ledger

FENDER HITS A HOMER

American guitar manufacturer **Fender** is manufacturing **Major League Baseball**-branded versions of its popular Stratocaster guitar. Starting late last month, guitarists have been able to purchase a Stratocaster with their favorite team's logo on the guitar's body. These models differ from Fender's usual Signature guitars, which feature the musician's/group's name and/or design on the guitar's headstock but with no overt branding on the guitar's body.

WINNING WITH NFLPA

NFL Players Association Inc. is running a contest for mobile game developers, where the grand prize is an NFL Players Association license to use in an app. Independent developers can pitch concepts to NFLPA in hopes of licensing the names, likenesses, uniform numbers, and other assets of NFL players. The winner will also receive a \$10,000 credit for marketing their app on social media networks.

NOT JUST FOR BOYS

Hasbro's Nerf spin-off for girls, *Rebelle*, got phenomenal play in a front-page *New York Times* story reporting on the rise of shooting and other weapon-based toys being marketed to young girls. A *Katniss* doll from *The Hunger Games*, along with Merida of **Disney/Pixar's** *Brave* and other female dolls brandishing weapons are part of a growing trend in girls' toys. Pink- and purple-colored toys and role play items are rolling out but with a slightly aggressive edge long avoided by the toy industry when it came to girls.

LICENSING = MARKETING

Licensing isn't just about consumer products—it's part of the marketing equation. Now, the publisher of *The Licensing Letter* helps you find your next marketing partner. Introducing the new *Partnership Marketing Brand, Media & Entertainment Directory*. Visit

www.epmcom.com/partnership to download sample pages with more than 3,300 marketing executives, 93% of them VP or higher, and email addresses for 99% along with physical addresses and phone numbers.

AN EPIC SIGNING

Dell Furano's **Epic Rights** adds rock band **KISS** to its roster of music acts for licensing, merchandising, e-commerce, and digital media. The legendary Furano previously served as CEO for **Live Nation Merchandise**, which also handled the **KISS** licensing program, as well as **Sony Signatures** and **Winterland**—the late Bill Graham's merchandising operation, which Furano ran and which defined modern-day music merchandising. Epic Rights also handles licensing for **KISS** members Gene Simmons and Paul Stanley, as well as merchandising for the arena football team Los Angeles **KISS**, not to mention **Barbra Streisand** and **Def Leppard**.

IF COLLEGE ATHLETES UNIONIZE ...

There's nothing specific about licensing in the **National Labor Relations Board** ruling that Northwestern football players are employees of the university and have the right to form a union and bargain collectively. And while the university is appealing the ruling, we have to imagine that the rules of the collegiate licensing game would change, too, should the players ultimately prevail.

Collegiate Licensing Corp. (CLC), which by most counts has 70% to 75% of the collegiate licensing market, tells us it has no comment at this point, since it is not a party to the specifics of the ruling.

ANOTHER REASON TO BRUSH

It's something of an afterthought in the press release, but **Church & Dwight** (presumably under the Arm & Hammer brand) will develop toothbrushes related to **Major League Baseball** as part of its sponsorship program with the organization. The sponsorship designates Arm & Hammer the official laundry detergent and OxiClean the official stain remover of MLB. The company declines to specify whether the toothbrushes will be generic MLB or tied to the three specific teams mentioned in the sponsorship part of the release—the New York Yankees, Minnesota Twins, and Cincinnati Reds—or whether any additional oral care products will be forthcoming.

PHARRELL X ADIDAS

Singer and pop star **Pharrell Williams** will join **Adidas** to release a Pharrell-inspired footwear collection. The sneakers, which were first shown in an Adidas YouTube video, will feature Bionic Yarn, a reusable material made from discarded plastics. Adidas also has a deal with rapper Kanye West for a co-branded collection.

ATARI CASINO

The recently out-of-bankruptcy **Atari** rises yet again for a series of casino games based on its evergreen brands. Asteroids, Centipede, and other titles will be playable on Atari Casino thanks to a deal with game company **FlowPlay**. Atari Casino will launch with slots, poker, and blackjack games later this fall on Facebook, as well as iOS and Android mobile



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Entertainment/Character Licensing

Continued from page 1

Lucas—making it very hard to get new kids' entertainment launched at retail effectively," an agent says.

On the other hand, the list of properties that performed well in 2013, as noted above, suggests that there was room this year for at least some other properties.

Looking ahead, several respondents identify "superhero fatigue" as a trend they anticipate for 2014, although several others note that superheroes, both from Marvel and DC, remained strong in 2013. With several films and TV shows based on Marvel and DC characters on the horizon this year and next, this will be a prediction to watch.

Several movies witnessed powerful licensing programs in 2013, including Disney-Pixar's *Monsters University* early in the year, Disney's *Frozen* late in the year, and Universal's *Despicable Me 2* throughout the second half. But many respondents bemoan the short life span of movie properties and the continued difficulty for many movies to get off the ground beyond the prerelease promotional window.

"With very few exceptions, sales of movie properties are declining, with a much shorter window," one survey participant believes. And a Canadian licensee cites "shorter, more compact life spans of hot properties, more properties per calendar year, and too many films to keep up with," as among the key trends of the year.

Even with more "new" properties breaking through than usual in 2013, a significant number of respondents continue to cite nostalgic, vintage, and classic properties as a key trend, pointing to the success of the reborn Teenage Mutant Ninja Turtles (licensed by Nickelodeon) as a prime example.

At the same time, however, a few classics are starting to show weakness for the first time in a long time. A notable example: Hello Kitty. A number of respondents believe retail sales for this long-dominant property are showing signs of falling off in the U.S./Canada market, at least in some categories.

Blurred Lines

There are a lot of grey areas between entertainment/character and other property types that are connected to entertainment in today's multichannel world. This is especially true of toys and games and interactive games, both of which often have some sort of entertainment as part of the franchise.

They all compete with entertainment/character properties, even though *TLL* categorizes them within the property types where they originate. And, in the minds of consumers and the licensing community, they operate in the same sphere and are directly comparable.

Interestingly, both of those property types—traditional toys and games and digital-origin properties—experienced similar growth rates as the entertainment/character sector in 2013. Properties originating as toys and games recorded an increase of 4.3%, driven by properties including Monster

RETAIL SALES OF LICENSED MERCHANDISE BASED ON ENTERTAINMENT/CHARACTER PROPERTIES, BY PRODUCT CATEGORY, 2012-2013
(FIGURES IN MILLIONS)

PRODUCT CATEGORY	RETAIL SALES, 2013	RETAIL SALES, 2012	CHANGE, 2012-2013	SHARE OF MARKET, 2013
Accessories	\$939	\$869	8.1%	9.0%
Apparel	\$864	\$799	8.1%	8.3%
Consumer Electronics	\$398	\$369	7.9%	3.8%
Domestics	\$252	\$244	3.6%	2.4%
Food/Beverages	\$362	\$362	-0.2%	3.5%
Footwear	\$294	\$283	3.7%	2.8%
Furniture/Home Furnishings	\$266	\$257	3.5%	2.6%
Gifts/Novelties	\$331	\$372	-11.1%	3.2%
HBA	\$499	\$463	7.8%	4.8%
Housewares	\$205	\$196	4.3%	2.0%
Infant Products	\$359	\$347	3.3%	3.5%
Publishing	\$757	\$773	-2.1%	7.3%
Sporting Goods	\$186	\$178	4.6%	1.8%
Stationery/Paper	\$480	\$503	-4.6%	4.6%
Toys/Games	\$3,112	\$2,955	5.3%	30.0%
Video Games/Software	\$926	\$994	-6.8%	8.9%
Other	\$146	\$49	195.3%	1.4%
TOTAL	\$10,376	\$10,015	3.6%	100.0%

NOTE: Numbers may not add up exactly due to rounding.

SOURCE: THE LICENSING LETTER

High, LEGO, My Little Pony, and Lalaloopsy.

Meanwhile, properties with roots in the interactive and digital realm grew 3.6%—a healthy increase but far below the 8.9% it boasted in 2012—propelled by properties including Skylanders, Minecraft, and several adult-themed console games such as HALO, World of Warcraft, and others. Properties that got their start on YouTube, Instagram, blogs, Pinterest, Twitter, and other social media sites also started to emerge, although without any breakout success stories yet.

On the down side, Angry Birds started to show its age, while no other mobile-origin property seems poised to take its place.

It's a Small World

A growing number of respondents working in the entertainment/character sector note that the successes properties experience in global markets tend to have increasingly positive impacts in the U.S. and Canada. Initiatives in other markets, especially fashion collaborations with fast fashion retailers in Japan and Europe, can create a buzz in the fashion trades in the U.S. and spur more licensing activity in that market for U.S.-based entertainment/character properties.

"If your property has a success or failure in a global market, it can actually come back and help or hurt you in the U.S.," says one former entertainment/character licensor.

Continued on page 4

Entertainment/Character Licensing

Continued from page 3

One licensor points out that the global growth of fast fashion retail chains such as H&M and Forever 21, which hosted many entertainment-based fashion lines in 2013, boosts properties worldwide and changes the way business is done.

“It was the continued growth of fast fashion where we have seen our business growing,” this licensor says. “The licensing deals with these retailers in the fast fashion space are set on a global basis, versus being territory-specific. This does impact our business, and as this fast fashion trend continues to expand, we are forced to look at our business in specific channels as opposed to being territory or retail specific.”

Category Trends

Not surprisingly, thanks to the trends discussed above, apparel and accessories were the fastest-growing categories in entertainment/character licensing in 2013, growing 8.1% each on the strength of fast fashion, designer collaborations, programs tied to TV and film costume designers, and other trends.

Consumer electronics also grew a robust 7.9% as a number of character properties drove sales of licensed personal electronics from cameras to music players and accessories. The health and beauty area swelled 7.8%, driven by nail and cosmetics collections tied to fashionable television shows and movies, as well as characters.

Retail sales of licensed entertainment-/character-based toys grew 5.3%—greater than the 3.2% for toys across the

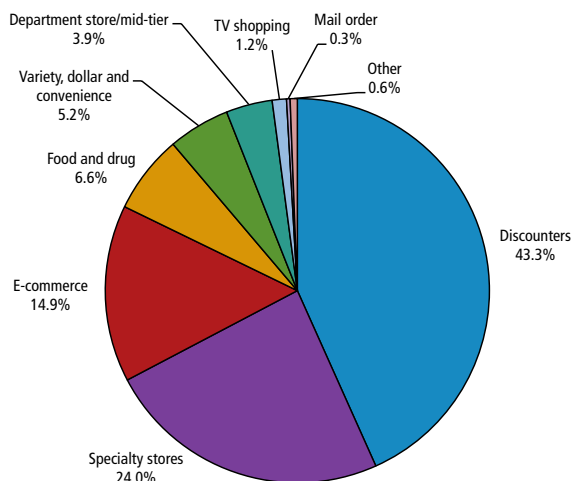
licensing business as a whole and despite declines in total toy sales—but performance varied from product to product within the category. Construction toys continue to blossom, for example, with the number of players involved, the number of licenses with a presence in the category, and sales all on the rise.

Licensed boys’ action figures, on the other hand, are struggling, survey respondents say, in large part due to competition from technology and apps. The “kids getting older younger” phenomenon also plays a role in the decline of boys’ action and other toy categories, while die-cast toys also showed weakness.

Product categories showing declines during 2013 were generally the result of declines in product sales overall, rather than being attributable to weakness in entertainment/character properties per se. They included gifts/novelties, publishing, stationery/paper, and video games. In fact, declines in entertainment-/character-licensed products were, in many cases, less severe than for licensed products across categories or for the respective categories as a whole.

One point of interest: Sales of foods and beverages tied to entertainment/character properties declined slightly, 0.2%, despite continued strong growth for the category across most other property types. In the wake of continued pressure from public interest groups as well as the FTC not to market unhealthy foods and beverages to kids, many character-based food/beverage programs have disappeared from store shelves or have honed their focus to a few leading categories.

RETAIL SALES OF LICENSED MERCHANDISE BASED ON ENTERTAINMENT/CHARACTER PROPERTIES, BY DISTRIBUTION CHANNEL, U.S. AND CANADA, 2013
TOTAL = \$10.4 BILLION



SOURCE: THE LICENSING LETTER

Warner Wins \$2.57 Million in Long-Running Infringement Case

AVELA and its associated defendants have been ordered to pay Warner Bros. \$2.57 million in damages resulting from the infringement of *Wizard of Oz*, *Gone With the Wind*, and Tom and Jerry trademarks and images. The case dates back eight years.

The 20-page order includes a concise history of licensing for the three properties, including lists of selected licensees for each of the properties over the years. As *The Hollywood Reporter* notes, “Warner Bros. got a huge win by getting an appeals court to suggest that public domain work can be potentially resurrected for copyright protection so long as the visual depiction of characters adds distinctiveness to what has come before.”

Or, as U.S. District Court Judge Henry Edward Autrey writes in the order, “The posters themselves were not simply copied and reproduced, rather, they were used ... in ways which were not in the public domain, and therefore were infringing.”

In other trademark news, Disney is expected to contest a trademark filing by electronic dance music DJ Deadmau5 (aka Joel Zimmerman), whose logo is a pair of mouse ears.

Licensing News

Properties Available Or Recently Assigned, U.S.

PROPERTY	DESCRIPTION	CATEGORIES AVAILABLE	LICENSING CONTACT
Cinda B	Brand of handbags and travel bags, and accessories.	Candles, jewelry, pillows, scarves, stationery, textiles	Jack Morrow, Out of the Box
Collin Bogle	Artist known for realistic wildlife and floral images.	Bath textiles/accessories, calendars, gift bags, greeting cards, home decor, kitchen textiles/accessories, melamine, puzzles, stationery, tabletop	Marty Segelbaum, MHS Licensing + Consulting
Entrepreneur	Magazine, website, and publishing group centered around the world of entrepreneurs.	All	Pete Canalichio, Blake Project (The)
KISS	Rock band led by Gene Simmons known for stage theatrics, makeup, and an extensive consumer products program.	All	Dell Furano, Epic Rights
Louise Carey	Pop-inspired artist known for works appealing to tweens and twenty-somethings.	Accessories, apparel, back-to-school, bath textiles, bedding, cosmetic bags, gift bags, gifts, greeting cards, home decor, melamine, stationery	Marty Segelbaum, MHS Licensing + Consulting
Mindy Schroeder	Artist and photographer focusing on European scenes and wine/winemaking endeavors.	Calendars, cards, home decor, kitchen products, notebooks, wall decor	Lance Klass, Porterfield's Fine Art Licensing
Redneck Riviera	Lifestyle brand from Apprentice winner and country musician John Rich.	All except apparel	Milin Shah, Earthbound
Sarabeth's	Brand centered around pastry chef and restaurateur Sarabeth Levine.	Bakeware, cookware, kitchen textile, tabletop	Elan Freedman, Surge Licensing
Smurfs (The)	Animation property and soon to be third movie in a CG-animated film franchise.	All	Greg Economos, Sony Pictures Consumer Products
Stephanie Ryan	Artist and designer known for watercolors combined with inspirational messages.	Accessories (women's), gift bags, gift wrap, home decor, kitchen textiles/accessories, scrapbooking, stationery, totes	Marty Segelbaum, MHS Licensing + Consulting
That's All	Greeting card line with the punch line of "That's All."	Balloons, gift wrap, party goods, table & chair sets	Jack Morrow, Out of the Box
University of Memphis	Tennessee university known for its Tigers athletic team.	All	Lisa Tomlinson, Licensing Resource Group
Villanova University	Pennsylvania-based private university known for its Wildcats sports teams. Extension to current licensing representation agreement to last until 2024.	All	Cory Moss, Collegiate Licensing Co. (CLC)

Licenses Recently Granted, U.S.

PROPERTY	GRANTED TO	PRODUCTS MANUFACTURED	GRANTED BY
Adrienne Vittadini	Dreamwear	Intimates	Authentic Brands Group
	Tri-Coastal Design	Fashion accessories, HBA, home decor, stationery	
Airstream	GreenLight	Collectible replica	Airstream
Alessandra Ambrosio	Lunada Bay	Swimwear	Silver Sunrise
Anchorman	GreenLight*	Collectible replica	Paramount Pictures
Avengers (The)	Candyrific	Candy accessories	Disney Consumer Products
Bible (The)	Pressman Toy	Board games, puzzles	Brand Central
Bodacious Broads	Design Design	Coasters, cocktail napkins, greeting cards	All Art Licensing
Crow (The)	Upper Deck Collectibles & Upper Deck Authenticated	Collectible art, figurines, posters, trading card games, trading cards	Pressman Film
Disney	Wooky Entertainment*	Sketchbooks	Disney Consumer Products

*Extension or renewal.

Continued on page 6

Licensing News *Continued from page 5*

PROPERTY	GRANTED TO	PRODUCTS MANUFACTURED	GRANTED BY
Divergent	Fathead	Wall graphics	Striker Entertainment
	Hallmark Licensing	Gift items, ornaments	
	Mattel	Dolls	
	National Entertainment Collectibles Association (NECA)	Accessories, apparel, collectibles, figures, novelties	
Dockers	Hampshire Group	Apparel (women's)	Levi Strauss
Elf on the Shelf	Pressman Toy*	Games with music	CCA & B dba Elf on the Shelf (The)
Girl Scouts of America	Aspire Brands*	Lip balms	Wildflower Group
Guardians of the Galaxy	FunKo	Vinyl figures	Disney Consumer Products
How to Train Your Dragon 2	Pressman Toy	Games, puzzles	DreamWorks Animation
Jennifer Adams	MT Company (The)	Furniture	All-American Licensing & Management Group (AALMG)
Louise Carey	Design Design	Beverage napkins	MHS Licensing + Consulting
M&M's	Mad Engine	Fleece, hoodies, knit tops, outerwear, T-shirts	Mars Retail Group
Major League Baseball	Bazooka Candy Brands dba Topps Company	Co-branded candy	MLB Properties
	Coveroo*	Co-branded mobile phone accessories	
	Fender Musical Instruments	Guitars	
	New Era Cap*	Co-branded headwear	
Mountain Dew	Hex	Co-branded backpacks, co-branded mobile phone accessories	Joester Loria Group
Nathan's	John Morrell Food Group	Food	Nathan's Famous
Nissan	Wooky Entertainment	Sketchbooks	Equity Management
Northern Promotions	David Textiles	Fabric, fabric kits, quilt kits	MHS Licensing + Consulting
Rafaella	Fantasia Accessories	Belts, cold weather accessories, handbags, hats, scarves, small leather goods	Perry Ellis International/PEI Licensing
Ratchet & Clank	IP Factory	Statues	Dimensional Branding Group (DBG)
Ray Donovan	Mad Engine	Hoodies, T-shirts	CBS Consumer Products
	Sellers Publishing	Calendars	
	Trevco Sportswear	T-shirts	
Redneck Riviera	Delta Apparel	Apparel, headwear	Earthbound
Simpsons (The)	Moleskine SpA*	Notebooks	20th Century Fox Consumer Products
Skittles	Mad Engine	Fleece, hoodies, knit tops, outerwear, T-shirts	Mars Retail Group
Sofia Vergara	Parlux Fragrances	Fragrances	Latin World Entertainment Licensing
Stacey Yacula	Dimensions	Cross-stitch kits	MHS Licensing + Consulting
Star Trek	Tin Man Brewing	Beer	CBS Consumer Products
Terry Doughty	David Textiles	Fabric, fabric kits, quilt kits	MHS Licensing + Consulting
"That's All"	Santa Barbara Design Studio	Candles, decorative pillows, glasses, magnets, mugs, wall signs	Out of the Box
The Millers	Trevco Sportswear	T-shirts	CBS Consumer Products
Three Stooges (The)	RRParks Cards	Trading cards	C3 Entertainment
Tina Higgins	Design Design	Coasters, gift boxes, napkins, tissues	MHS Licensing + Consulting
	Dream Works Design	Paper gift bags/boxes	
Tokidoki	Coveroo	Co-branded mobile phone accessories	tokidoki
	New Era Cap	Co-branded headwear	
Tommy Bahama	Aqua Leisure Industries	Outdoor games	Tommy Bahama
Under the Dome	Sellers Publishing	Calendars	CBS Consumer Products
Waste Management	Duro Bag Manufacturing	Recycling bags	Joester Loria Group
	Hefty/Reynolds Consumer Products	Trash bags	

*Extension or renewal.

Continued on page 7

Licensing News *Continued from page 6*

International Properties Available or Recently Assigned

PROPERTY	DESCRIPTION	CATEGORIES AVAILABLE	LICENSING CONTACT
Black Watch Castle & Museum (The)	Perth, Scotland-based castle and museum documenting a regiment of the British Army.	All (Worldwide)	Andrew Maconie, Licensing Management Intl.
Peppa Pig	Entertainment One's preschool animated series, broadcast in over 180 countries.	All except toys, publishing (France)	Geraint Marsh, francetv distribution
Shoot	Forty-five-year-old football (soccer) publication.	Toys (U.K.)	Vicky Hill, Bulldog Licensing
Tina Crawford	Artist known for embroidery art.	All (U.K.)	Sarah Lawrence, Smart Licensing

International Licenses Recently Granted

PROPERTY	GRANTED TO	PRODUCTS MANUFACTURED	GRANTED BY
Bing	Fisher-Price	Baby accessories, toys (Worldwide except Japan)	Licensing Company, U.K. (The)
Calimero	Giochi Preziosi	Master toy (Europe)	Gaumont Animation
Chupa Chups	Aspire Brands EMEA	Lip balms & glosses (Europe, Australia, Asia, South Africa)	Chupa Chups, S.A. Unipersonal
Dumb Ways to Die	Underground Toys	Plush (U.K.)	Evolution Europe
Fault in Our Stars (The)	Trends Intl.	Bookmarks, calendars, journals, posters (U.S., Canada)	20th Century Fox Consumer Products
Forbes	Paradies Shops	Airport retail locations (North America)	Leveraged Marketing Corp. of America (LMCA)
G.H. Bass & Co	PVH	Sportswear (men's) (North America)	G-III Apparel Group
Garfield	E Plus M	Accessories, apparel (Poland)	Plus Licens
	Poetic Gem	Nightwear (men's) (U.K.)	Bulldog Licensing
	Rei do Mate	Paper cups (Brazil)	BR Licenciamento de Personagens Ltda (ITC Licensing)
iStyle	Gruppo Cartorama	Bags, gift items, paper products (Italy)	Art Ask Agency
Matt Hatter Chronicles	Big Balloon	Toys (Australia)	Haven Licensing
Mia and Me	Panini Verlags GmbH*	Stickers (Germany)	m4e AG
Models Own	Icon Live	Hair accessories, jewelry (U.K.)	Rocket Licensing
NHL	Shade-O-Matic	Window shades (North America)	National Hockey League (NHL)
Peppa Pig	Giochi Preziosi*	Toys (France)	francetv distribution
	Rainbow Designs	Infant products (U.K.)	Entertainment One
Pets Rock	Gruppo Cartorama	Back-to-school, stationery (Italy)	Art Ask Agency
Playboy	Sugar Factory	Candy (Worldwide)	Playboy Enterprises
Rio 2	Pez Intl.	Candy dispensers (Europe)	20th Century Fox Consumer Products
	Smith & Brooks Ltd.	Outerwear (Europe)	
Shaun the Sheep	Giromax Intl.	Collectibles, trading cards (U.K.)	Aardman Animations
Three Stooges (classic)	Peek-A-Boo Toys	Amusement plush (Worldwide)	C3 Entertainment
Three Stooges (The)	Fine Art America	Canvas artwork, framed & unframed prints, greeting cards (Worldwide)	C3 Entertainment
Tiny Tatty Teddy	Paul Dennicci	Apparel (children's) (U.K.)	Carte Blanche Greetings
Titanfall	ThreeA Toys	Collectible figures (Worldwide)	Electronic Arts
Under the Dome	Philcos Enterpriser	Apparel, drinkware (Canada)	CBS Consumer Products
	Rittenhouse Archives	Trading cards (U.S., U.K., Canada)	
Village People	Cooneen Group	Nightwear, socks, underwear (U.K., Ireland)	ITV Studios Global Enterprise

*Extension or renewal.



contacts & connections

Contacts & Connections is an alphabetical listing of the licensing companies in this issue.

20th Century Fox Consumer Products, Roz Nowicki, EVP Global Sales & Retail, 310-369-2207, roz.nowicki@fox.com, P. 6, 7.

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All Art Licensing, Jeanette Smith, President, 206-719-1905, jnet@allartlicensing.com, P. 5.

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Continued on page 9

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Trash Talking: Licensors Incorporate Recycled Refuse Into Product Lines

The adage that “one person’s trash is another’s treasure” rings true for several licensors overseeing eco-friendly ventures in which licensed products are made from recycled refuse:

- ▶ Pharrell Williams launched a textile company, in partnership with Parley for the Oceans, called Bionic Yarn, which turns plastic trash found in the ocean into fabric. The singer-producer’s fashion collaborations with G-Star and, more recently, Adidas, both are using Bionic Yarn in their production.
- ▶ Reality star Lauren Conrad debuted her XO(eco) brand for products manufactured using REPREEVE fabric, which is made from recycled plastic bottles. Her first partner is Blue Avocado for travel and cosmetic storage accessories. They are sold at Kohl’s, where Conrad’s LC Lauren Conrad apparel line is exclusive, as well as other retailers.
- ▶ Will.i.am and Coca-Cola created Ekocycle to spur the creation of goods made in part from recycled material such as plastic bottles and cans, licensing the brand to companies that do so. Partners, many for limited editions or capsule collections, include H. Brothers (men’s suits and accessories), Levi’s (jeans), Beats by Dr. Dre (headphones), Case-Mate (smartphone cases), and New Era (caps).
- ▶ TerraCycle has alliances with consumer goods brands, which encourage consumers to send used packaging from their products to TerraCycle. The latter then designs new items incorporating the waste and partners with manufacturers to produce those products. In some cases, the corporate brands from the original trash are visible on the final merchandise—as with Capri-Sun totes or Cheet-ahs scrapbooks—and some of the deals with manufacturers are structured as licensing agreements.

Nuances of EU Territorial Rights Explained

A series of legal decisions have clarified the extent to which territory restrictions can be included in licensing contracts in the European Union, according to Christian Fortmann of 24IP, speaking in a LIMA webinar titled “What Outsiders Need to Know About Licensing in the EU.”

While a founding principle of the EU is the free flow of goods among member countries, licensing contracts can grant territory exclusivity and prevent licensees from actively selling into countries outside their grant of rights, such as through targeted advertising or direct mail.

However, EU law bars licensors from contractually prohibiting passive cross-border selling. Passive selling includes shipping product in response to requests from purchasers based in other countries, selling to customers in other countries through a website, or using multiple languages on a website or packaging.

Fortmann also reported that, in most cases, licensors wanting to register a trademark for three countries or more within the EU are better off registering a community trademark through the Office for Harmonisation in the Internal Market (OHIM), rather than registering on a country-by-country basis.

Electrolux’s Ciaran Coyle, presenting in the same webinar, explained that, in practice, cultural, legal, retailing, and other differences—not to mention a desire to maintain the licensee-licensor relationship outside of any legal considerations—help restrict licensees’ ability to ship cross-border.

Coyle points out that the EU “common market” contains 28 countries, 24 languages, 12 currencies, six apparel sizing systems, and 41 possible SKUs of bed linens.

Why Oculus and Other VR Projects Matter for Licensing

Facebook’s \$2 billion acquisition of Oculus VR, a former Kickstarter project and Sundance Film Festival highlight, is part of a growing trend in the development of virtual reality devices that have the potential to become new platforms for content distribution—and new sources of licensed properties.

The Oculus Rift, in development since 2012, was initially targeted to PC gaming companies to develop more immersive game experiences. Sony announced Project Morpheus, its own virtual reality device for use with the PS4, a few weeks ago. Sony has lined up not only gaming partners to work with the device, but also nongaming entities such as NASA that are exploring other applications for Morpheus.

Virtual reality (or VR) has evolved way beyond its brief and gimmicky spell in the 1990s. The new VR devices promise clear high-definition video and sound. Sensors similar to those found in mobile devices allow for head- and eventually eye-tracking, turning into an in-game camera as the user turns his or her head with little to no latency.

VR is in a completely separate category from the much-hyped Google Glass, which acts as an extension to mobile devices to be worn everywhere while going about everyday life; VR headsets are meant for home use, isolating users from their surrounding environment for a sense of immersion in a virtual space.

Facebook will continue to support Oculus’s reach into the gaming world but obviously sees opportunity in nongaming applications for virtual reality, too. Imagine browsing virtual store shelves through your VR device and purchasing an item or a child “walking down” Sesame Street.

The adoption rate of VR devices will likely be smaller than mobile devices but significant enough to warrant brands and properties adding “virtual spaces” to their marketing and/or licensing approach.

Consumer versions of Sony and Oculus devices are expected to see release sometime in 2015.

Survey Trends

Continued from page 1

Some participants, albeit a much smaller percentage (16%), feel that the economy was improving and that consumers had more to spend on licensed goods in 2013, especially toward the end of the year.

Several respondents and interviewees, however, sense a back-to-basics mentality. "It's back to simple basics. The best product. Not the cheapest. And the brand has to stand for something," says an agent, who adds, "You still need deep resources in dollars and people, even with the basics. You still have to work at it."

"2013 was the year of doubling down on the nuts and bolts of licensing," agrees an entertainment licensor. "That means taking great IP and being on the big screen, the little screen, and retail shelves. But it also means it's a particular challenge for new properties to break through."

Some participants felt a growing threat of competition from nonlicensed products in the current environment. "There has to be a justification for the licensing premium," a licensee notes.

A related issue, cited by 31% of respondents doing business in the U.S. and Canada, has to do with downward price pressures, thanks to consumers' desire for value and constant discounting and price promotions throughout the year. Some respondents believe that the discounting and sale pricing that occurred throughout the holiday period are likely to continue throughout 2014. "Consumers like it, but it's hard to be profitable," says one licensor.

"Price rules," concurs a licensee. "Consumers are shopping licensed merchandise on a price basis. They check the Internet and decide accordingly."

"Consumers seemed to be spending again in 2013, but not at pre-recession levels," an agent adds. "Consumers are seeking value. They're willing to spend if the benefit/value is there."

"All advertising must have a 'call to action,'" says another respondent, "usually an offer for discounted or promotional merchandise."

Even as prices continue to fall, costs continue to rise and retailers continue to demand a certain margin, all of which decreases per-unit profitability for licensees. "Labor and raw materials with respect to products manufactured in China are growing to where we're now seeing a seismic shift in where manufacturers choose to have products produced," says one survey participant.

"The increased cost of goods is an issue," a licensee agrees. "We have been holding prices for years, but we're going to eventually have to start passing it on."

The Perennial Complaint

As is the case in every survey, a significant percentage of respondents (32%) note the ongoing and increasing competition for shelf space, due to more properties available for licensing, increasing dominance by a few players, and less retail space due to consolidation and closures.

Some of the related issues noted included:

- ▶ The powerful players (licensors, licensees, and retailers) that are getting stronger. Not surprisingly, Disney and its control of shelf space in the entertainment/character market were cited the most frequently.
- ▶ Retailers' maintenance of ever-lower inventory levels and the manufacture-to-order trend.
- ▶ The continued reliance on classic, reborn, nostalgic, and/or vintage properties, although for the first time in a number of years some respondents saw relative weakness in the classics, especially in the entertainment/character segment.
- ▶ A decrease in retailers' private labels (both in the U.S. and globally), combined with a continued steady reliance on direct-to-retail licensing deals.

A number of respondents note the importance of "brands" in 2013. "The consumer desire for authentic brands is consistent across the globe," says a fashion and celebrity licensor. "The cycle of private label has evolved so that it has become known as opening-price-point merchandise. There's no emotional connection and it becomes a race to the bottom. That makes brands desirable again."

Respondents point out that brands are a conduit for consumer trust. "Trust in the brand is key," says a licensor. "That helps us survive a lot of fluctuations."

The emotional connection and "personality" associated with strong brands can extend to properties of all types, some respondents comment. "Purchasers tend to be buying with purpose, so encouraging artists, brands, and characters to have defined audiences and personalities is important," an agent says.

Still, in this value-driven economy, a licensee notes, "Brands add a lot of value, but they don't always get a premium valuation."

A constant concern in the licensing business survey each year is retailers' risk-averseness, namely a tendency to stick with known quantities rather than trying something

Continued on page 12

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Survey Trends

Continued from page 11

new. Respondents involved with corporate trademark properties were the most likely to mention this issue in the recent survey, for the first time; generally the entertainment sector is most focused on this challenge, which affects the entire business.

“Everyone’s risk-averse, which is difficult for everyone,” says a licensee. “Retailers are asking for newness and differentiation from other retailers, but they’re buying the same properties as last year and the same properties across channels.”

Politics, Regulation, and Other Issues

For the first time in recent memory, politics and various regulatory issues were cited often in the U.S. and Canada portion of the survey, with 40% of participants mentioning some sort of political or regulatory issue in their responses. These include:

- ▶ General concerns such as overregulation and the upcoming midterm elections in the U.S.
- ▶ Obamacare, with respondents split about whether it is a good or a bad thing for the business but skewing toward the bad side of the spectrum.
- ▶ Testing and safety issues, including whether these regulations are needed and the costs they add to the licensing process. (This has been a concern in past surveys, especially since the dawn of the Consumer Product Safety Improvement Act.) “We seem to be good at closing the barn door after the animals escaped,” says a Canada-based licensee. “The costs

that keep getting embedded force the quality down at mass, so they can maintain price points while fitting all these extra costs in.”

- ▶ Copyright, piracy, and counterfeiting, largely driven by issues arising from e-commerce, social media, and other tech-related factors.
- ▶ Social compliance, including human rights issues, environmental protection, and worker safety (especially in Bangladesh).
- ▶ Credit card fraud as an issue that may need regulation, in the wake of the Target breach.

These issues (especially IP protection, counterfeiting, and piracy) often are top of mind when questioning respondents about doing business globally but have never until this year received this much notice when the territory under consideration is the U.S./Canada.

Who’s News

Anna Viola joins ITV Studios Global Entertainment as senior licensing manager, hardlines. Viola comes from a 16-year stint as senior advertising sales manager at Global Radio and will report to SVP/head of global merchandising Trudi Hayward.

Craig Erwich joins Hulu as SVP and head of content. Erwich recently served as EVP at Warner Bros TV.

Xcel Brands, home to Isaac Mizrahi, acquires the brand and IP assets of jewelry designer Judith Ripka for \$20 million plus more than 500,000 shares of Xcel stock. Ripka has four lines for different retail channels. According to the company, the brand had sales in excess of \$100 million last year.

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