

BOTTOMLINE

LICENSING INFORMATION AND IDEAS TO BETTER YOUR BUSINESS

A Global Perspective: Looking for a Rebound From Tough Times



As the U.S. economy makes its way through the early stages of a slow but steady recovery, there is every reason to believe that the licensing business is beginning on that same path. Anecdotal evidence indicates that – after a long period in which many potential agreements seemed to be frozen by uncertainty about economic conditions, as well as retail conservatism – the atmosphere in the U.S. is more positive. Retail sales are creeping up, and business seems to be on the upswing.

In the following pages, we've asked LIMA's Managign Directors and representatives from around the world to give a picture of conditions in their local licensing markets.

JUNE 14
2011

WHAT'S INSIDE

The Legal Corner:
The Importance of Maintaining
Brand Standards

Page 2

Charity Campaign:
"I Give Because I'm Grateful"

Page 3

Nominees for the 2011
International Licensing
Excellence Awards

Page 8

Comment Deadline Approaching
on Marketing Food to Kids

Page 9

The flip Side
Page 11

Welcome, New Members
Page 12



Japan

2:46 p.m. on 11th March 2011 is a moment in time that will remain etched on Japanese minds forever -- the unprecedented triple crisis of an earthquake, tsunami and nuclear accident in Tohoku and Fukushima. The TV images were indescribable, the numbers inconceivable -- a magnitude 9 earthquake, nearly 10 meter-high tsunami waves, over 15,000 deaths, more than 9,000 missing, 5,000 injured, over 125,000 buildings damaged or destroyed, infrastructural damage estimated at JPY25 trillion (US\$306 billion).

At retail, lost sales has been estimated to be ¥18 trillion (US\$220 billion); that represents 3.3% of overall annual Japanese retail economy.

For the Japanese licensing industry, whilst there are of course serious consequences in terms of plummeting royalty income, the licensing community here is pulling out all stops to help the survivors, particularly children, through

Please turn to page 4

SHOWING WHY LICENSING IS SUCH A VITAL TOOL

By Charles Riotta, President



Another Licensing International Expo will soon be upon us -- our chance to show the global business world why licensing is such a vital tool for driving sales of retail merchandise and services. As always, LIMA will be in the forefront with a full range of programs to provide information and knowledge on current trends and happenings, as well as the industry's premier networking event for connecting with friends new and old.

Once again we will be kicking off this year's show with a dynamic Keynote Presentation on the global marketplace, delivered this year by Rick Darling, president of LF USA. In his role at the center of global sourcing and marketing, Rick has a unique perspective on the challenges and opportunities facing suppliers, brand owners, retailers and others. "The New Realities of the Global Consumer Product Marketplace... Inflation, Consumption & the Global Consumer" will take place at 8:45 on Tuesday morning before the Show

Please turn to page 9



The Importance of Maintaining Brand Standards

By Jed Ferdinand, Jeffers Cowherd P.C.

THANK YOU

We would like to thank the outgoing members of the LIMA Board of Directors for their dedication and hard work:

**Adam Beder,
Spin Master Ltd.**

**Rick Mallow,
Making Connections,
LLC**

**Maura Regan,
Sesame Workshop**

**Stu Seltzer,
Marketing on Demand
LLC**

Holly Stein, Mattel

**Robert Strand, Strand
IP**

**Careen Yapp,
Konami Digital
Entertainment**

There is an inherent tension in every merchandising program. Brand owners strive to maintain product quality in an effort to ensure that the goodwill associated with their valuable brands is not diminished by substandard products or improper distribution channels. On the other hand, licensees want the freedom to develop products and to sell through the broadest possible distribution channels in an effort to maximize revenues.

These considerations are not limited to luxury and high-end brands – virtually all licensors are concerned with maintaining brand standards for quality and image. How does a licensor protect itself? Trusting the licensee to do the right thing is not good enough. A properly drafted license agreement is the only way. If strong and clear brand standard protections are not included in the written license agreement, they may as well not exist because the licensee won't be bound by them.

There is a fundamental legal requirement of trademark and brand licensing that the licensor must exercise a certain degree of control over the quality of the licensed products or risk that the license is deemed a "naked license," which may result in abandonment of the licensor's rights. But this column will focus on the practical implications of brand standard protections, not the legal ones. The intent is to give brand owners a checklist of provisions related to the protection of product quality and brand image.

Brand Standard Clauses: The most direct way to address the issue of brand image is to include a clause in the license agreement requiring the licensee to maintain a specific and defined brand standard that compares the licensed brand with other brands or names particular retail stores. Here is an example of a brand standard clause from a license for a high-end

jewelry line: "the Marks are and shall be associated with a first-class prestige luxury image that is equal to or greater than the image of the most prestigious fine jewelry brands and designers sold in jewelry specialty stores such as Tiffany's and department stores such as Saks, Neiman Marcus, Bergdorf Goodman and Bloomingdale's . . ."

Brand standard clauses like these are often found in celebrity and fashion licenses, where maintaining a first-class image is critical. To that end, it is very common to see specific references to famous brands or designers used as the brand standard by which licensed products are measured against. Yet, there is no reason that this type of provision could not be used in licenses for mid or lower-tier products as well, so long as the licensor identifies comparable brands and lists them as the brand standard.

Quality Acknowledgement: As a corollary to the brand standard clause, the license agreement should also contain an express recognition by the licensee that if the licensed products were of inferior quality in design, material or workmanship, it would impair licensor's goodwill. There should be an express representation that the licensed products shall of "high standard and of such style, appearance and quality" to protect and enhance the licensed brand and maintain the related goodwill. It is also important to prohibit the licensee from selling damaged or defective merchandise, or products considered "seconds" based on industry standards.

Product Approvals: Licensors should have full approval rights throughout the entire production process. Depending on the type of licensed product, this could include: (1) design or concept approval; (2) prototype approval; (3) pre-production approval; and (4) post-production approval,

Please turn to page 11 ■



"I Give Because I'm Grateful"

By Cheryl Stoebenau, Charity Committee Co-Chair

This year's fundraising campaign theme is "I Give Because I'm Grateful." I'm sure that most of us can find many reasons to be grateful in our lives --- and many of you have also found a reason to give!

Thanks to the generosity of those who have already donated, I am pleased to say that we are very close to raising \$600,000 -- 60% of the way to achieving our 2011 goal of reaching \$1,000,000. This is a wonderful attribute to our industry! A very special thank you to those who have donated and to the Charity Committee for their dedication and support of our efforts to fund the

Children's Brain Tumor Tissue Consortium.

Brain and Spinal Cord Tumors are the deadliest of pediatric cancers. This disease randomly reaches out and strikes perfectly healthy kids. One-third of the children afflicted with this type of cancer die within five years. Those who survive face long-term effects that profoundly challenge them throughout their lives. As a parent, imagine how you would feel to hear that your child has been diagnosed with this disease ---- and then you hear those devastating statistics.

Together, we are going to CHANGE THESE

STATISTICS by funding the Children's Brain Tumor Tissue Consortium. Tissue Banks are the way other forms of cancer have made so much progress and we have every reason to believe that the results of the Consortium will help in speeding a cure for this disease.

One hundred percent of the money we raise is used to fund the Children's Brain Tumor Tissue Consortium. It costs \$1,000 to collect and process each tissue sample. In order for researchers to conduct a meaningful analysis of the more than 100 different types of pediatric brain and spinal cord tumors, they need to process 3,000 tissue samples.

Without LIMA's support this research will not be funded. The quicker we can raise the money needed to support the Consortium, the sooner we will see positive results, bringing hope to the kids and families who are afflicted by this terrible disease.

I hope it is clear why it is so important that we rally together to fight this disease. If you have not already donated to this year's campaign, won't you please help us fund the Consortium as quickly as possible? To make a donation visit www.licensing.org and click on LIMA Cares. Please give as generously as you can.

LIMA Donor List

PLATINUM LEVEL

American Greetings Corp., Cartoon Network, JAKKS Pacifics Inc., Jay at Play International, Jay Franco & Sons, Inc, LF USA, Mattel Inc, Nickelodeon & Viacom Consumer Products, The Northwest Company, Playmates Toys, Warner Bros. Consumer Products

GOLD LEVEL

DecoPac, DreamWorks Animation SKG, MZBerger & Company, Saban Brands and Saban Family Foundation

SILVER LEVEL

ACI International, Bioworld Merchandising, CAS Marketing, Disney Consumer Products, Franco Manufacturing, Hasbro Inc, Target Corp.

BRONZE LEVEL

Added Extras, LLC, AmScan, Inc., Bakery Crafts, Bentex Group Inc., Berkshire Fashions, Greg & Leigh Anne Brodsky, CBS Consumer Products, CSS Industries, Cherokee Inc., Elan-Polo, Frankford Candy, Freeze, Furrise Toy Corp., Handcraft Manufacturing, Horizon Group USA, Jerry Leigh Apparel, KIDdesigns, The Joester Loria Group, Lucasfilm,

Munchkin Inc., The NPD Group Inc., Random House, Rubie's Costume Co., Sakar International Inc., Scholastic Media, Simon & Schuster, Spin Master Ltd., Surge Licensing, Toys "R" Us Children's Fund

ADDITIONAL CONTRIBUTORS

Accessory Innovations, Art Impressions Inc., Bandai America, Basic Fun, Greg & Susan Battersby, The Beanstalk Group, Bob Cassata, Brand Central LLC, Martin & Barbara Brochstein, Gary & Mickey Caplan, Children's Apparel Network, Jennifer Coleman, Collegiate Licensing Company, Commonwealth Toys, Direct Checks Unlimited, Entertainment Licensing Associates, Jeanne Donovan Fisher, Fog Studios Inc., Global Design Concepts, Inc., Harris-Sachs, Henry Unger & Associates, Rita Bonnell Illig, Liz Kalodner, Jenifer Kramer, Michael & Bonnie Lane, The Licensing Letter, Licensing Street, Maggie Young & Associates, Making Connections, Andre Lake Mayer, Moret Intimates, Tobin Opheim, Peachtree Play Things, Charles Riotto, Beth Schlansky, Stu Seltzer, Thermos LLC, Trends International, USAopoly, Mary & Jan Verdegaal, The Wildflower Group, Earl Winthrop, Zak Designs Inc.

(As of May 16)





Besides well-known international licensed brands, local brands are catching up and thriving in China.

many and varied charitable activities.

For example, "Project: Holding Hand" ("Te wo tsunago" in Japanese; website www.teotsunago.com) has brought together more than 30 Japanese and foreign popular characters in an graphical image showing all the characters holding hands, the aim being to bring smiles and encouragement to children and adults affected by the disaster.

Another case is LIMA Japan member, Ingram, which runs the "Peace Project" (website: www.peace-project.net), a charity program. Since the outset of the disaster, Peace Project members have visited the disaster area weekly delivering lifeline supplies such as food and clothing. For the longer term task of re-building the region, Ingram is now considering a new charity scheme whereby a portion of sales, as a "charity royalty", from products carrying a "JAPAN Rebuilding with Hope" symbol hangtag (image on page 1) will be donated to the region.

LIMA Japan is also considering participation in the "JAPAN Rebuilding with Hope" initiative. Any LIMA members worldwide who are interested in cooperating with the scheme, please contact info@limajapan.org.

*Fumihiko "Pochi" Kusama
Managing Director, LIMA Japan*

China

China's licensing market has experienced impressive, positive growth since the global financial crisis in 2008, due to surging domestic demand, economic structure change and creative industry development.

How does the market look in 2011? As a new business concept, licensing is becoming more popular and well accepted by more local companies. Besides well-known international licensed brands, local brands are catching up and thriving. The most popular local licensed brand is "Pleasant Goat and Big Big Wolf," which garnered a couple hundred licensees and created millions in revenue.

One notable change is that not only the kids market, but also the adult market, has begun to embrace licensed products. From 2009, several popular clothing chains in China started to take in licensed brands to appeal to a young generation. For example, Transformers/ Kung Fu Panda has been featured by Metersbonwe, one of the largest apparel brands, which operates 3,000 chain stores in China. The special lines of MTEEs (T-shirts of Metersbonwe) based on these licensed characters have become very popular in China and largely exceeded sales projections. Also, clothing chains such as UNIQLO, Baleno, and others are cooperating with licensed brands. For example, this summer UNIQLO has a new Graphic T-shirts line with Care Bears.

Another notable change is that the cross-over between licensing and other industries is deepening. In many respects, we can say that licensing is shaping up as a traditional industry. For example, Guangzhou Alpha, originally a local toy company, has transformed itself into one of the leading animation companies in China through a public stock offering, and last year it acquired a kids TV channel, and this year it acquired a kids apparel company.

In the past decade, the new economy represented by Internet, new media, E-commerce, and so on has achieved explosive growth in China. In the new decade, when licensing -- the new business model -- meets the China market, the 2nd largest economy and the largest emerging economy in the world, there is boundless potential.

*Sherry Rao
Managing Director, LIMA UK*

Germany

The development of the licensing industry in Germany as well as its neighbors Austria and Switzerland appears strong. Even at second glance.

The industry was able to ride out the latest global crisis thanks to its innovative potential. Positive results have been achieved

Please turn to page 5 ■



in toys, publishing, food and textiles. The topics of virtual worlds and new apps also offer new growth potential for licensing.

As with everything, there is also a downside. The industry as such is faced with enormous challenges, even possibly a complete change. The most important indicators for this development are the changes in the thought process and the restructuring that started in China in 2007.

Germany's licensees have followed the example of many international groups in the toy and textile industry, starting to use production facilities in China. Now, they need to reposition themselves given the competitive situation around those production facilities.

It is a fact that the industry is faced with huge challenges in the wake of China's wage increases and shipping bottlenecks resulting from the Asian quality initiative. Experts believe that there is no plan B yet to meet the requirements of international companies when it comes to production know-how, infrastructure, quality and safety requirements.

The leaders of the German (licensing) industry, however, do not consider the situation to be unsolvable. New concepts are in the works which take the new situation into consideration, connect markets and render manufacturing more economical.

International brands are hot and the trend is pointing in the direction of "grown-up brands" which still have enormous growth potential. It is said that in this country, the impacts of global market crises as well as ecological disasters are neither reflected in prices nor sales figures in licensing, with the exception of the increased price for cotton. Yet the situation remains challenging.

Current times require entrepreneurial flexibility and creativity both of which will act as a fresh impulse for the industry. And we are eagerly awaiting new TV formats and blockbusters (especially from the US) which will not only spark business but also our imagination, creativity and belief.

*Heike Winner
Managing Director, LIMA Germany*

India

Brand licensing is a relatively new industry in India. Since the success of brand licensing is heavily dependent on the retail roll out, it becomes pertinent that the retail industry be on board with the licensing program. To share with all of you, organized retail is a relatively recent phenomenon in India and while growing, it accounts for only 6% of total retail. Estimates put the retail industry's size at \$450m of which only 5% is contributed by the organized sector. It is also understood that rapid economic growth in the past decade has augmented the disposable income of the middle class and it is the urban consumer that the global chains are eyeing.

The Q311 BMI (Business Monitor International) India Retail Report forecasts that total retail sales will grow from INR19.0trn (US\$395.96bn) in 2011 to INR30.23trn (US\$785.12bn) by 2015. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are key factors behind the forecast growth.

While the licensing figures are miniscule when compared to other international markets, India is fast establishing itself as a strong potential market in the future world of licensing. Licensing in India is definitely on the rise and is to be valued at US \$500 million in 5 years to come. The opportunities in licensing are limitless in India and we have just seen a trailer yet!

*Vrinda Oberai
LIMA India/License India*

Italy

The licensing industry in Italy has its main focus not on entertainment, but on brands based on automotive/fashion and sport, which account for more of the 60% of licensed products retail sales.

Italy is the 4th largest EU market for licensing, and the past year has been an ex-

Please turn to page 6 ■



Licensing Forum 2011

6/22/11

World Trade Center - Barcelona (Spain)

<http://www.key4communications.com/www/key4/en/forum/>

Licensing Japan

7/7/11 to 7/9/11

Tokyo Big Sight - Tokyo (Japan)

www.licensing-japan.jp/en/

Seoul Character & Licensing Fair

7/20/11 to 7/24/11

Coex, World Trade Center - Seoul (KR)

www.characterfair.kr

Comic-Con

7/21/11 to 7/24/11

San Diego Convention Center - San Diego, CA (US)

www.comic-con.org

New York International Gift Fair

8/13/11 to 8/18/11

Jacob Javits Center - New York, NY (US)

www.nyigf.com

Franchising & Licensing Licensing Asia

9/8/11 to 9/10/11

Marina Bay Sands - Singapore

www.franchiselicenceasia.com

Fall Toy Preview

10/4/11 to 10/6/11

Dallas Market Center - Dallas, TX (US)

www.toyassociation.org

Brand Licensing Europe 2011

10/18/11 to 10/20/11

The Grand Hall, Olympia - London GB

www.brandlicensing.eu



citing period, based on the following crucial aspects:

- Based on the decision by main toy industry leader Preziosi Group to open distribution and licensing for pre-school products, there is finally a new interest from licensees in other kids categories (such as apparel and stationary mainly) for this target market, which is historically underestimated in Italy.
- A massive growing interest from fashion industry, of high and medium profile, to extend the development of their brands into several licensing categories, not only fashion.
- An increasing number of consumer products companies are interested in manufacturing licensed goods, in many cases pushing the envelope to create unique designs and original products for the local market. The goal: to renew and refresh their product lines, and at the same time enlarge their retail footprint.
- More and more brand owners and TV producers don't want to delegate licensing management to agencies, but rather keep that business in-house. In the last few months, this has created a huge market for licensing professionals and new job opportunities in our territory.
- Broadcasters are starting to find the way to cooperate with licensees to strengthen the awareness of TV brands, having understood the business opportunities based on mutual co-operation.

So, despite an economic crisis which still lives in Italy, a lot of things are changing and moving, and we're pretty sure that we will meet brand new companies and very well established companies that will jump into the licensing Jungle!

*Christina Angelucci
LIMA Italy/License Italia*

"New Europe"

New Europe encompasses the 35 countries and 400 million people of Central, Eastern and South East Europe, Russia and the Commonwealth of Independent States. It's not a uniform region, but rather includes a mix of relatively mature markets that aren't expect to grow quickly and emerging markets for whom growth prospects are much better.

Total consumer spending for the whole region is expected to be US\$2,206 billion. Russia, Turkey and Poland are predicted to account for 79% of the region's retail sales this year.

The IMF expects the central and eastern European economies to grow at 4.5% this year and next. Tough measures in resolving the region's crisis have meant that eastern Europe looks better off fiscally and structurally than the Eurozone economies. Much of the region was pulled from recession in large part by Germany's export-led economic recovery. This was especially so in the Czech Republic, Hungary, Poland and Slovakia.

In 2010, the Polish economic growth rate was 3.8 %, one of the best results in Europe. With 38 million people, Poland is the biggest market among the new EU countries. Its population in 2010 is also one of the youngest in Central and Eastern Europe, with more than 38% of all citizens in the 20-44 age group -- crucial for retail sales.

In 2010, the retail market in Russia recovered after the previous year's economic slowdown, increasing by 12.6% to \$541bn. Each Federal District (Central, Volga, Southern, Siberian, Urals, Northwestern and Far East) enjoyed an increase in retail sales of at least 8%. Moscow and Saint Petersburg still account for the lion's share of retail spending and sales growth, with about 38 percent of the country's total.

Russian Federation GDP increased by 4% in 2010 and is forecast to rise by a further 4.2% in 2011. This will have a positive effect on consumer spending in both food and non-food retail sectors.

(Until the financial crisis, 70% of Rus-

sians' income was disposable, vs. around 40% for a typical Western consumer, making it a very attractive market for FMCG, food and beverage products, apparel, and luxury goods).

The Ukraine, with 47 million people, sixth largest in Europe, is the fastest growing retail market in Europe. The share of chains is still low and there is significant potential for further development of modern formats.

Turkey, with a growing population already in excess of 70 million, is likely to emerge as one of the world's highest potential consumer markets and strongest performing economies in Europe over the next decade. The estimated consumer spending level of US\$ 6,977 in 2010 is expected to reach US\$ 12,948 by 2014.

In many ways, this part of the world offers investors advantages over other emerging markets and can be a promised land for licensing business. The starting position of the majority of properties is the same and market success does not belong exclusively to large companies. For international players, there is an opportunity to catch the next growth wave in New Europe countries from the very beginning.

*Željko William Krnjak
LIMA New Europe*

Southeast Asia

Licensing activities in Asia have grown rapidly in recent years. Apart from China, the Southeast Asian markets have also recorded robust growth, especially in countries like Vietnam, Indonesia and Thailand. In general, the licensing landscape in Southeast Asia in 2011 is competitive and promising.

Throughout the region, entertainment is the biggest licensing category. Despite the fact that local governments in Singapore and Thailand have been pushing local production, Western and Japanese properties are dominating the licensing industry. Consumers are also receptive to sports brands, events and teams, leading to a healthy

Please turn to page 7 ■



growth in sports licensing.

The Taiwan market is almost stagnant. The Japan earthquake and tsunami hit the licensing industry as many manufacturing companies are trading in Japan.

As for Hong Kong, the overall licensing sector is as dynamic as the city itself. The “kidult” market is becoming prominent and companies are switching to digital marketing and social networks to reach their audiences. Licensing in mobile applications has just started. We foresee more and more companies will be looking into this area for brand building and promotion.

Tani Wong

Managing Director, LIMA Southeast Asia

Spain

In spite the difficult economic situation, the licensing market in Spain has remained strong in 2011. According to the market survey annually published in *Licencias Actualidad*, licensees confirm that sales have risen between 10 and 20%, although rotation of products has been lower.

The licensing business in Spain encompasses about 800 licensees and 45 agents and owners. Distribution is characterized by a large percentage of traditional independent retail stores plus a growing mass market segment, where we can find national and international groups such as El Corte Ingles, Carrefour or Alcampo. This dependence on mass distribution has shortened the life cycle of many properties to one or two years at most.

The role played by licensed product is also higher in Spain than in many other countries. According to data compiled by the NPD, the market share of licensed toys stood at 34% of the total traditional toy business, compared to 32.6% in 2009. The licensing business grew by 3.3% in value, while the unlicensed toy fell by 0.7%.

Although the market behavior is quite good, there are also some challenges. The main problems identified by licensing professionals are high prices, increasing competition and over-reliance on television to

ensure the success of a property.

Concerning the most successful properties, SpongeBob is expected to lead sales in 2011, after a surprisingly great 2010. According to forecasts by the companies participating in our market analysis, *Cars 2* should also have a great presence in this year licensing business.

Jana Robles

LIMA Spain/Edicones Just

UK

So what’s happening out there in the UK? The background looks pretty bleak. Perhaps surprisingly, though, the overall mood remains upbeat: the UK licensing trade expects something to pull us out of recession sooner rather than later.

That said, there are several indicators of a weak marketplace. Last month, accountants Ernst & Young issued a report predicting that total spending will not recover to pre-recession levels until 2013. High levels of personal debt, restricted lending, high inflation and the prospect of higher interest rates are all contributing to a lack of consumer confidence.

This is backed-up by a survey by the British Retail Consortium (BRC) showing that April’s Royal Wedding spending boost was cancelled out by a poor March, leaving a flat overall performance. The underlying economic situation is one of weak spending and pressure for retailers, and the number of people visiting shops in March and April fell by 0.8 per cent from a year ago.

Members are telling us similar stories. The message from several licensing agency members is that they are cutting all but essential expenditures as deals are hard to come by. One large food company told me that only retail price cuts were driving sales, another feared that commodity prices must be passed on at long last to retailers as margins are unsustainable – which will not help in these circumstances.

Kelvyn Gardner

Managing Director, LIMA UK

The UK licensing trade expects something to pull us out of recession sooner rather than later.



Best Art or Design Program

Andy Warhol, The Andy Warhol Foundation for the Visual Arts
 Artkey's Qi Baishi, Artkey Co., Ltd.
 Shopaholic, Too, Designs by Lolita, Inc./Out of the Box Licensing
 The Smiley Pop Art Style Collection, The Smiley Company
 Victoria and Albert Museum, Victoria and Albert Museum/V&A Enterprises

Best Art or Design Licensee

Creative Tops, Victoria and Albert Museum/ceramics
 Dom Pérignon, Andy Warhol/champagne
 Santa Barbara Design Studio, Lolita/glassware
 Smiley Factory Ltd., SmileyWorld Vintage/apparel

Best Character or Toy Brand Program

Hello Kitty, Sanrio, Inc.
 Minnie Mouse, The Walt Disney Company
 Peppa Pig, eOne Entertainment
 Skelanimals, Skelanimals, LLC/Art Impressions, Inc.

Best Character/Toy Brand Licensee—Hard Goods

Fisher-Price, Inc., TRIO DC Super Friends Batcave
 JAKKS Pacific, Inc., Big Buck Hunter Pro/TV games & Wii title
 Kellogg Company, Scrabble/Cheez-It
 PPW Toys, Mr. Potato Head Affinity Program
 smart USA, Hello Kitty/car wraps for the smart fortwo

Best Character/Toy Brand Licensee—Soft Goods

São Paulo Alpargatas S.A./Havaianas, Woody Woodpecker/flip flops
 Jay Franco & Sons, Inc, Mickey Mouse/bath program
 Loungefly, Hello Kitty/junior accessories

Best Corporate Brand Program

Animal Planet, Discovery Communications/The Joester Loria Group
 ASPCA Private Label Brand, American Society for the Prevention of Cruelty to Animals
 JCB, J C Bamford Excavators Limited/JCB Consumer Products
 Jelly Belly, Jelly Belly/The Licensing Company
 The Stanley Works, Stanley Black & Decker/Beanstalk

Best Corporate Brand Licensee

Baccus Global, LLC, The Stanley Works/lighting & 12 volt automotive accessories
 Ginsey Home Solutions (aka Ginsey Industries, Inc.), Rubbermaid/designer bath mat collection
 Nouveau Eyewear, Umbro/ophthalmic eyewear
 Sakar International, Inc., Kodak/family of products
 Shabby Chic, Simply Shabby Chic at Target/bedding, bath, window

Best Film, Television, Celebrity, or Entertainment Program

Dora the Explorer, Nickelodeon Consumer Products
 How to Train Your Dragon, DreamWorks Animation
 Justin Bieber, Bravado International Group
 Toy Story 3, The Walt Disney Company
 The Twilight Saga: Eclipse, Summit Entertainment/Striker Entertainment
 The Wizarding World of Harry Potter, Universal Orlando Resort/
 Warner Bros. Consumer Products

Best Film, Television, Celebrity, or Entertainment Licensee – Hard Goods

The Bridge Direct, Inc., dba The Bridge, Justin Bieber/dolls
 Konami Digital Entertainment, Inc., Karaoke Revolution Glee
 Learning Curve Brands, Chuggington/die-cast toys
 LEGO, Harry Potter/construction sets & Hogwarts board game
 Rubie's Costume Co., Inc., Lady Gaga/costumes & accessories

Best Film, Television, Celebrity, or Entertainment Licensee – Soft Goods

Awake, Inc, Glee/apparel
 Jay Franco & Sons, Inc., Toy Story 3/bedding, bath & beach
 Mighty Fine, Alice in Wonderland/apparel
 Mighty Fine, Toy Story 3/apparel
 National Entertainment Collectibles Association, Inc, The Twilight Saga: Eclipse/
 apparel & accessories

Best Sports or Sports-Themed Entertainment Program

2011 Bridgestone NHL Winter Classic, National Hockey League
 ESPN, ESPN
 NASCAR Team Properties, NASCAR and Teams
 PGA Tour, PGA Tour, Inc.

Best Sports or Sports-Themed Entertainment Licensee

Cycle Force Group, Tour de France/bicycles & accessories
 JAKKS Pacific, Inc., Ultimate Fighting Championship/action figures, playsets & role play
 K'NEX, NASCAR/building sets
 PB Teen, NFL/bedding
 Sportcraft, ESPN/indoor & outdoor recreation

Best Licensed Promotion

Burger King's The Twilight Saga: Eclipse Ultimate Experience, Summit Entertainment/Striker Entertainment
 Chuggington Traffic Safety Cross-Platform Promotion, Ludorum/Super RTL
 Dove Glee For All, Twentieth Century Fox Film Corp.
 Gillette Fusion ProGlide Limited Edition Armed Forces Licensed Razor Program,
 U.S. Army, Navy, Air Force, Marines, Coast Guard
 Green's Free Irwins Apron, Irwin Family
 Mr. Happy Should've Gone to Specsavers, Chorion
 SGI Apparel & Kohl's Bakugan Gift with Purchase Program, Nelvana Enterprises/
 Cartoon Network Enterprises

Best Retailer

Boots, Strictly Come Dancing
 Forever 21, Minnie Mouse
 Lowes, Sesame Street
 Target, Toy Story 3
 Walmart, Toy Story 3
 Walmart, The Twilight Saga: Eclipse

Overall Best Licensed Program

Hello Kitty, Sanrio, Inc.
 JCB, J C Bamford Excavators Limited/JCB Consumer Products
 Justin Bieber, Bravado International Group
 PGA Tour, PGA Tour, Inc.
 The Stanley Works, Stanley Black & Decker/Beanstalk
 Toy Story 3, The Walt Disney Company
 Victoria and Albert Museum, Victoria and Albert Museum/V&A Enterprises

Comment Date Is Near on Kids' Food Marketing

Last month, the Interagency Working Group on Food Marketed to Children — which includes representatives of the Federal Trade Commission (FTC), Centers for Disease Control (CDC), Food and Drug Administration (FDA), and U.S. Department of Agriculture (USDA) — held a public hearing into its proposals that would guide food companies in their marketing efforts toward children and teens.

If adopted, the voluntary guidelines would go into effect in 2016. (Go to http://www.washingtonpost.com/politics/food-makers-resist-lawmakers-proposal-for-guidelines-in-marketing-to-children/2011/05/24/AFK-f3mAH_story.html?wprss=rss_business for

a Washington Post report on the hearings.)

Of course, the definition of the word “voluntary” is hardened by the fact that the guidelines are being put together by four government entities.

In addition, the working group is accepting written comments on its efforts until July 14.

Much of the preliminary proposed principles (go to <http://www.ftc.gov/os/2011/04/110428foodmarketproposedguide.pdf> for a copy of the report, which was issued on April 28) relate to improving “the nutritional profile of foods marketed to children.” It also contains an extensive section on the

Please turn to page 10 ■

R I O T T O

CONTINUED FROM PAGE 1



floor opens, and is free to all attendees.

As our industry evolves and transforms, LIMA is once again hosting a multitude of educational opportunities at the Expo to help you keep up with the changes. Features debuting this year include free group roundtables on Wednesday morning, June 15. These sampler sessions, moderated by top industry experts, will include brief presentations and Q&A on topics ranging from what makes a merchandisable property, to working with retail. Also, LIMA and Business for Social Responsibility, in collaboration with Hasbro, NBC Universal, The Walt Disney Company and Time Warner, will present a free seminar to promote greater compliance with social and environmental standards in the licensing industry.

Licensing University™ continues to offer strategic insight into major industry segments that will appeal to licensing newcomers and veterans alike. The program covers a wide-range of topics, including licensing in the digital age, retail and distribution strategies, and how to stay ahead of consumer trends. Addressing the global industry, sessions will be held on how to expand licensing business internationally, as well as a course for international attendees on how to enter the U.S. market.

LIMA will once again offer our Retail

Market Overview and Tour on Sunday June 12. Our retail consultants -- Lisa Carver and Carol Spieckerman of newmarketbuilders -- will provide their perspective on the current U.S. retail landscape. Following this luncheon session will be a guided bus tour to a carefully selected group of major retailers.

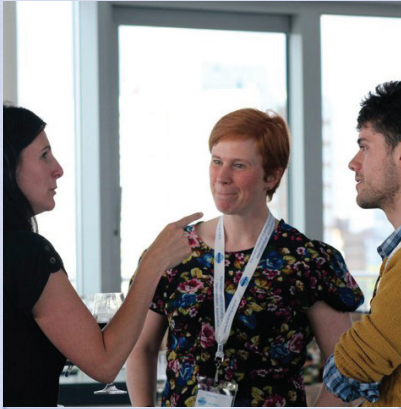
Licensing Expo is a showcase for emerging trends and exciting new properties, and also an opportunity to honor those who have helped grow the industry into what it is today.

One such visionary is Leigh Anne Brodsky, President of Nickelodeon Consumer Products, who will be inducted into the Licensing Hall of Fame during the LIMA Opening Night Awards Ceremony on June 14. The industry will honor Leigh Anne for her groundbreaking contributions to the world of licensing and merchandising over the last 25 years, as well as her dedication to charitable endeavors on behalf of LIMA's Charity of Choice. Of course, we'll also recognize our industry's innovators with the annual LIMA Licensing Excellence Awards.

After the awards ceremony it will be time to kick back at the House of Blues for LIMA's Opening Night Party. Don't miss the opportunity to catch up with your licensing friends and colleagues from around the globe!



Rahul Gambir, Licensing Director for Tommy Hilfiger India, was among the many speakers at the License India conclave in Delhi.



(L to R) Topps Europe's Ruth Leonard and Ailsa Herd discuss developments with Dave Tovey of Mind Candy at LIMA UK Licensing Essentials Course.



LIMA Board member Bettina Koeckler of Chorion makes a point during the LIMA UK Licensing Essentials Course last month.



Atulit Saxena, COO- Brand at Future Brands, addresses License India Licensing conclave in New Delhi.

Educational Events in London, Tokyo, Delhi

One of LIMA's most important functions is to help licensing professionals keep up with developments and industry issues.

Within the past several weeks, LIMA offices and representatives in several parts of the world staged events for local constituencies. The annual LIMA UK Licensing Essentials Course was followed by the networking Spring Fling. In Delhi, License India invited local marketers to hear more about licensing as a business model. And in Tokyo, LIMA Japan successfully staged a Digital Publishing Seminar originally scheduled for the day the tragic earthquake struck.



Mr. Masaaki Hagino, President of Voyager Japan, was the main speaker at LIMA Japan's Digital Publishing Seminar, which drew a full house in Tokyo.

Kids' Food Marketing

CONTINUED FROM PAGE 9



definition of "marketing targeted to children and adolescents," essentially adopting the language developed by the FTC in its 2008 report to Congress on the subject.

We're monitoring the situation, and will let membership know of any developments.

We'd love to hear the views of members and non-members alike concerning the best path toward reasonable guidelines. What are your ideas? Let us know your views on the subject by sending an email to mbrochstein@licensing.org.

Meanwhile, LIMA UK has been involved

in efforts to work with the British government on drafting regulations on the same topic. It had been working for over a year with the Food Standards Agency, but, with the election of a new government last year, responsibility for nutritional matters was transferred to the Department of Health.

The handover to the DoH was completed in January 2011. Several attempts to get meetings have been thwarted by personnel and logistical issues, but that effort will be resumed after Licensing Expo.



which is critical to ensure that the shipments of manufactured licensed products conform to the designs and specifications that Licensor previously approved. Licensees often complain about the timing of the licensor's approval rights impacting tight production and shipping deadlines. Despite this reality, it is to the licensor's advantage to preserve full approval rights and to never allow silence (i.e. a failure to respond to an approval request within a certain defined time period) to be deemed approval.

Distribution Channels: The licensee will want the freedom to sell in all tiers through all possible distribution channels. For some licenses, this may be appropriate. Yet, for most, it is not because licensors will often have specific expectations about where products should be sold to conform to brand image.

The most direct way to address the issue of distribution channels is to have a specific list of authorized retailers attached as a schedule to the license agreement. At the same time, the licensee can be given the freedom to explore other possible channels during the term of the license, subject to

the licensor's written approval.

For licenses involving apparel and related goods, it is very common to have a tiered approach to distribution. This typically involves starting in the upper-tier with one brand in the first year or two of the license, and then moving down to the mid and mass tiers in later years, often with a brand that is a derivative of the upper-tier brand. At the same time the apparel licenses will also look to limit distribution to "off-price" retailers to later years and for secondary brands only.

Manufacturers: If the licensee intends to utilize a third-party manufacturer, the licensor will want to maintain the right to approve the manufacturer and will want to require the licensee to have the manufacturer sign an agreement that binds the manufacturer to the obligations of the license agreement. An additional option would be to require the Licensee and its manufacturer to be bound by LIMA's Code of Business Practices. Licensors want to do everything possible to avoid a repeat of a "Kathie Lee Gifford" labor situation at all costs.

Termination: Finally, it is important to tie in a specific termination right in the event the licensee fails to comply with any of the brand standard, quality control, distribution and manufacturer provisions listed above. This is an important policing mechanism for the licensor, and it ensures a swift end to the license in the event of a non-performing licensee.

These are just some of the provisions available to the licensor to ensure that the licensed products conform to brand standards of image and quality. Again, it is critical not to leave these considerations to the parties' intent or expectations – in order to be enforceable they must be in the written agreement.

Jed Ferdinand is a Principal with Jeffers Cowherd P.C., a law firm located in Fairfield County, Connecticut, where he heads the firm's intellectual property and licensing practices. Jed's practice focuses on the protection and exploitation of brands in the United States and internationally. He can be reached at JFerdinand@Jeffers-Law.com.

The flip Side: Harry Potter, Speed Networking

flip staged successful events this spring in California and New York, expanding the knowledge of new licensing professionals.

Warner Bros. Consumer Products hosted a *flip* Learning Breakfast on the Warner Bros. lot in March. A panel of key WBSP executives -- Pam Brice, Executive Director, Retail Business Development, Roxanne Gray, Director, Sales/Global Themed Entertainment, and Kevin Morris, Director, Worldwide Marketing -- used their experience with the Harry Potter program to discuss the challenge of maintaining and extending a successful franchise.

"The Harry Potter event was a lot of fun and very informative. It was really interesting to learn about how the licensing and marketing strategies have changed to adapt to both growing characters and fans," says Judy Hua of Sanrio Global Consumer Products. "It was also nice to have representa-

tion from each department -- marketing, retail, licensing -- and be able to hear their perspective about where they see the franchise going as the movie series comes to an end."

In New York, *flip* Speed Networking returned on April 6. The concept: give each attendee five minutes with three different industry executive to ask questions and learn more about their roll in licensing. Speakers included Elliott Azrak, EVP of Global Licensing at LFUSA, Jose Castro, Director of Retail Development at Nickelodeon, and James Slifer, Vice President, Business Development at The Joester Loria Group.

"It was a great way to meet executives from different aspects of the licensing industry and see how they got to where they are now," reports Kaitlyn Curran of Warner Music Group/Rhino Entertainment. "I wish I had more time with them!"



Kevin Morris, Pam Brice and Roxanne Gray of Warner Bros. Consumer Products gave insights on managing the Harry Potter franchise at flip event.



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