



**CITY OF BEVERLY HILLS  
STAFF REPORT**

**Meeting Date:** February 17, 2009  
**To:** City Council  
**From:** Alison Maxwell, Director Economic Development and Marketing  
**Subject:** Presentation of Shield Licensing Program Update by Bradford Licensing and the Beverly Hills Chamber of Commerce  
**Attachments:** Report from Bradford Licensing

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**INTRODUCTION**

The Beverly Hills Chamber of Commerce (Chamber) and Bradford Licensing will present a program update to the City Council on the development of the Shield Licensing Program.

**DISCUSSION**

The City owns the Beverly Hills Shield Design trademark. Through an agreement with the Chamber, the City has provided the Chamber with licensing rights, including the right to contract with a licensing agent.

The licensing agent provides a full range of professional services which amongst other things include marketing the brand to potential licensees for development of merchandise and other media; and management of licensing infringements. Ultimately, it is anticipated that the promotion of the Beverly Hills brand through licensing agreements for merchandise and other media will not only raise the profile of the Beverly Hills brand in the marketplace but will also provide a source of revenue to the City and to the Chamber of Commerce.

In 2007, the Chamber, with the approval of City Council, engaged a new licensing agent Bradford Licensing. Bradford Licensing is a full service licensing agency with worldwide marketing capabilities, infringement management experience and a wide array of branding and merchandise expertise.

The engagement of Bradford coincided with the City's development and presentation of a new brand identity and concept. This has provided the opportunity for Bradford to develop the Strategic Licensing Plan focused on the marketing and promotion of the City's new shield brand.

A Strategic Licensing Plan was presented to and approved by the City Council in February, 2008.

Over the last year, Bradford has been working closely with the Chamber and City to implement the strategic plan. Attached to this staff report is a report from Bradford, and a full presentation will be made at City Council. Some notable highlights include:

- Completion of the Licensing Style Guide
- Completed approval of a licensing agreement with JT Brands to develop perfume and cosmetics lines
- Pending approval of an agreement with Tibaldi for the development of high-end, collectable writing instruments – principle terms of the agreement have been reviewed with the Council Committee (Mayor Brucker and Council Member Briskman).
- Renewal of Agreement with Universal Studios for use of the shield in certain theme parks.
- Pursued Trademark infringements: Bradford has focused energies on issues of infringement and has sent several leads to the City Attorney's office where there appeared to be a legal basis to pursue the matter. However, the issue of infringement is a complicated area of law and it is not always dependent on the fact that a trademark has been registered. Although that is one important factor, the courts consider a number of issues when determining whether an infringement has occurred. Staff and Bradford are currently working with the City Attorney's office and outside counsel to develop a system and approach for management of potential infringements.

### **FISCAL IMPACT**

Licensing revenue is derived from two principal sources: successful licensing agreements which produce royalty income and license fees; and, infringement management. To date, two agreements are executed. Several infringement matters have produced revenue as well.

Bradford reports that the total net licensing revenue relating to the Shield Trademark stands at \$28,154 this fiscal year. This amount has been placed into the shield marketing fund. With City Council concurrence, Bradford established a \$100,000 marketing fund to promote the Shield brand. All net revenues are applied to that fund until the \$100,000 cap is reached.

### **RECOMMENDATIONS**

Staff recommends that City Council receive the presentation and report from Bradford Licensing.

Approved by:



Alison Maxwell, Director Economic Development and Marketing

**Beverly Hills City Council Update****February 17, 2009****About Bradford Licensing**

We are a global brand licensing agency that partners with some of the world's most popular logos and trademarks. Based on leading edge corporate brands, points of interest, celebrities, television series, characters, fashion trends, sporting events and non-profit organizations since 1986, Bradford is devoted to maintaining and developing optimal licensing programs in an atmosphere that combines rigorous professionalism with top quality interpersonal services.

**2008 Beverly Hills Licensing Program Status Update**

During 2008, Bradford diligently developed and managed the Beverly Hills Licensing Program. There are five main areas for update: one time agreements, license agreements, marketing fund, infringements, and Style Guide status.

Beverly Hills has several one-time use agreements (such as Shield appearances in TV series, movies, advertisements, theme parks, etc) in existence and is an on-going source of revenue. During 2008, we have closed and collected \$18,000 in gross revenues and \$11,700 net revenues to the Client. We have additional pending payments from 2008 monies (awaiting Tax Form 6166 from City to complete payment from licensee) of \$12,000 in gross revenues and \$7,800 net revenues to the Client.

Bradford has closed the first major license agreement under the Beverly Hills Licensing Program. During 2008, this licensee JT Brands has paid \$25,312.50 in gross advances and \$16,454 in net advances to the Client. The term length is June 1, 2008 through December 31, 2012 with a sliding royalty rate based on sales volume, beginning at 6% and moving down to base of 4%. The total gross guarantee on the contract is US\$ 1,295,312.50 over the five year term to be paid quarterly. The net profit to the Client is US\$ 841,953.13 over the 5 year term to be paid quarterly. This license is working exclusively in Class 3 – Cosmetics with worldwide rights. The Client retains the right to remove a product or category from this contract should the licensee not actively use that said product or market within a specified amount of time. Product roll-out will commence by June 2009 starting with male/female fragrances, bath and body to follow.

Bradford and the Client have developed a Marketing Fund to help support the Licensing Program. During 2008, \$28,154 net revenues due to the Client were deposited into the Marketing Fund. During the same time period, \$13,728 of this fund was used to help support the Licensing Program through the creation of a Merchandise Style Guide as well as promotions at a trade event. The current balance of Marketing Fund as of December 31, 2008 is \$14,426.

Trademark policing or Infringement is a big area that needs to be defined and explored with City council. Because the Shield is such a well-known icon, many firms wish to use this image in their projects. We are currently investigating this with City council to determine set regulations on what constitutes an infringement. During 2008, we identified eighteen potential infringements, of which eight of these instances were cleared, confirmed, and closed. Ten of these instances were not clearly identified as infringements; therefore we need legal consult to determine next steps.

Within 2008, a Beverly Hills Merchandise Style Guide was completed by July 31, 2008 used to stipulate guidelines to licensees when using the Shield on consumer products, as well as inspiration for designing licensed ranges. This Guide provides logo usage, legal lines, packaging, hangtags, and color palettes for licensee use.

### **2009 Beverly Hills Licensing Program Outlook**

Moving into 2009, Bradford has revised Category Tiers 1-3 within our Beverly Hills Licensing Program Implementation Strategy to reflect new market trends.

The Health & Beauty tier has been moved up to Tier 1. A licensee has been secured and placed (JT Brands), as discussed above. The Apparel & Accessories category has been moved to Tier 2. In this area, we are prospecting to place high end apparel and accessory licensees within the following sub-categories: Business wear, Sleepwear, Outerwear, Resort wear, Footwear, Watches & Jewelry, Eyewear, Scarves, Belts, Bags & Luggage, Writing Instruments, and Paper Products. The Key Trade Shows Bradford will attend on behalf of the Client within next 6 months are as follows:

- 1) February 16-18 – MAGIC (apparel)
- 2) February 22-24 - The Accessories Show (various accessories)
- 3) March 27-29 – Vision Expo (eyewear)
- 4) May 3-5 - AccessoriesTheShow, Moda Manhattan and FAME (various accessories)
- 5) May 17-20 -National Stationary Show (paper goods, desk accessories)

The Home Furnishings & Domestic category has been moved to Tier 3. In this area, we are prospecting to place high end home products within the following sub-categories: Home Furniture, Home/Office Furniture, Wall hangings, Window Fixtures, Tabletop, Stemware, Floor Coverings, Lighting, Bedding, Linens, and Bedding Accessories. The Key Trade Shows Bradford will attend on behalf of the Client within next 6 months are as follows:

- 1) February 9-12 – Vegas Market Week (home furnishings)
- 2) March 9-13 - NY Home fashions Market (home decor)

- 3) April 25-30 - IHFC (furniture)
- 4) May 16-19 - International Contemporary Furniture Fair (furniture)
- 5) July 13-18 - The Atlanta International Area Rug Market® (home furnishings)
- 6) October 1-7 – High Point Trade Show (home furnishings)

As discussed above, Bradford and City council will be discussing the infringement issue to determine clear definition and clarification of an infringement of the Shield in order to effectively police the marketplace. During 2009, one infringement has been identified and finalized.

Currently Bradford has one pending contract, Tibaldi, which is a ninety year old company out of Italy producing high end writing instruments. The potential gross guarantee of this contract is approximately \$100,000, which results in \$65,000 net to the Client over a 3 year term. The licensee would produce a limited edition of 500 pens to be released at price points between \$1,000 - \$15,000. Worldwide rights would be granted with strategic placement at jewelry and high end accessories boutiques. The real value of this deal is in publicity surrounding product launch versus revenues to the Client.

Bradford's prospecting efforts continue on an on-going basis into 2009. Within any given quarter, our sales team contacts approximately 500 companies that meet the criteria for a Beverly Hills Licensing Program. As detailed above, we are focusing on Tier 2 – Apparel & Accessory to follow the launch of the Cosmetics range. Currently Bradford has negotiations with potential licensees in various Apparel, Footwear, and Accessories categories. Preliminary meetings are on-going to screen potential licensees before full evaluation is presented to City for review.

In laying out projections for the 2009 year, Bradford bases this estimates on two categories – current contracts with payments during 2009 and new prospect projections. The current agreement guarantees for 2009 result in \$53,259.38 net to the Client with new prospect projections during 2009 of \$75,500 net to the Client. In total, Bradford projects \$128,759.38 net to the Client during 2009. We base these estimate on realistic estimates from contracts as well as initial negotiations with potential licensees.