



AGENDA REPORT

Meeting Date: May 23, 2013
Item Number: H-7
To: Honorable Mayor & City Council
From: Cheryl Friedling, Deputy City Manager for Public Affairs
Megan Roach, Marketing & Economic Sustainability Manager 
Subject: APPROVAL OF AN AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND CMG BRANDS, LLC TO PROVIDE EXCLUSIVE LICENSING REPRESENTATION TO THE CITY
Attachments: 1. Representation Agreement
2. Target List of Potential Licensees

RECOMMENDATION

It is recommended that the City Council approve an agreement between the City of Beverly Hills and CMG Brands, LLC to provide exclusive licensing representation to the City.

INTRODUCTION

The City is the owner of the Beverly Hills Shield Design trademark ("Shield"). In addition, the City maintains other trademarks in its portfolio such as the 90210 mark. The City leverages the Shield recognition to optimize revenue by entering into licensing agreements with film and television studios, theme parks and apparel merchandising firms. The prior Centennial Liaison Committee (Former Councilmember Brucker, Vice Mayor Bosse and Chair Rosenzweig) met with CMG Brands representatives over the past several months to discuss representing the City as its Exclusive Licensing Agent and the opportunity to bring the appeal of Beverly Hills and the Centennial to a wider audience and to monetize the brand.

DISCUSSION

By way of background, on March 13, 2007, the City and the Beverly Hills Chamber of Commerce ("Chamber") entered into a three-year license agreement to permit the Chamber to be the licensor for the Shield, thus promoting both the brand enhancing and revenue generating opportunities for the Shield. At the same time, the Chamber entered into an agreement with Bradford Licensing wherein Bradford served as the licensing agent to market the Shield. The City gave its consent to the agent agreement with Bradford.

While the agreements had a three-year term ending in March 2010, the parties (City, Chamber and Bradford) entered into a letter agreement to continue the status quo while the parties renegotiated. In November 2010, the City Council terminated the license agreement between the City and Chamber. This of course impacted the agent agreement between the Chamber and Bradford since the Chamber no longer enjoyed the right to license to Bradford the Shield mark. Accordingly, that agreement also was terminated.

Following the termination with Bradford Licensing, the City entered into an agreement with William Morris Endeavor Entertainment ("WME") on August 16, 2011 to serve as the City's Exclusive Licensing Agent. The direct and exclusive relationship between the City and William Morris Endeavor eliminated the third-party relationship with the Chamber thus creating a streamlined process for the City to review and approve licensing deals.

However, the City's relationship with WME was unsuccessful due to a variety of factors, including the departure of the primary account manager from WME to a new firm. The City formally terminated the agreement with WME in March 2013. With the advent of the City's Centennial, it is anticipated that new licensing opportunities may result in a more successful licensing program for 2013-2014.

After consulting with several licensing firms over the last year, CMG Brands, LLC was the most promising firm willing to engage with the City. Based in Los Angeles, CMG Brands secured its position during the 1970s as the premier company for representing the families and estates of deceased celebrities. CMG also served in a key licensing role for the Beverly Hills Chamber of Commerce during the 1990s. Today, CMG Brands represents over 200 diverse personalities and corporate clients in the sports, entertainment and music fields.

CMG Brands clients include sports legends such as Babe Ruth, Vince Lombardi and entertainment clients include the families of James Dean, Ella Fitzgerald, Billie Holiday, and Don McLean, and prestigious accounts including I Love New York for the City of New York. As such, CMG's agents have forged excellent relationships with retail parties including airport stores, Disney stores, and other high-traffic destinations that sell retail merchandise to tourists and shopping center patrons around the globe.

The proposed representation agreement between the City and CMG Brands, LLC provides for a 19-month term for exclusive representation of all the trademarks in the City's portfolio. The agreement does not require any retainer or fees; the firm is compensated strictly on a commission basis. After the 19-month period, the agreement is automatically renewed for two successive year terms unless the City provides notice of its desire not to renew. In any event, either party may terminate with 60 days' notice.

The agreement, however, does not provide for representation for the licensing of trademarks for entertainment uses. In the past, the City has licensed the Shield for use in movies, television and commercials. The City will continue to do so, with approval from the Council Licensing Committee, but unilaterally without the use of an agent. In addition, as in previous representation agreements, there are carve-outs for the use of trademarks by the City for its own promotion and marketing or for use by third parties to promote and market the City. In addition, the City is permitted to use its trademarks to develop or manufacture goods for the proposed Centennial retail store.

FISCAL IMPACT

Licensing revenue is derived from the execution of licensing agreements which produce royalty income and license fees. The proposed representation agreement provides that CMG Brands shall receive 31.5% of the gross revenue from any domestic or international license agreement where they identify the licensee and negotiate the terms of the licensing agreement. Should the City identify the licensee, CMG Brands shall be entitled to 30% of the gross revenue from any domestic or international license agreement. The commission rates are equivalent to the industry standard, which ranges from 25 - 35% of all revenue derived. In both instances CMG Brands will deduct this payment prior to distributing the City's portion of the revenue.



Don Rhoads
Finance Approval



Cheryl Friedling
Approved By