



STAFF REPORT

Meeting Date: February 16, 2016
To: Honorable Mayor & City Council
From: Megan Roach, Marketing and Economic Sustainability Manager (MR)
Lolly A. Enriquez, Assistant City Attorney
Subject: Recommendation from Branding/Licensing Committee Regarding Settlement Agreement with JT, Brands Inc. and Disposition of Branded Fragrances
Attachments: None

INTRODUCTION

In 2007 the City of Beverly Hills granted the Beverly Hills Chamber of Commerce and Civic Association the right to sub license the Beverly Hills Shield Mark to third parties in connection with merchandise. In 2008 the Chamber and JT Brands, Inc. entered into an agreement for JT Brands to use the Shield in connection with perfume, in exchange for guaranteed minimum royalties over the term of the agreement.

Over the course of the agreement JT Brands failed to make certain minimum royalty payments and failed to meet contractual requirements to produce, market and distribute the perfumes. In 2013 the Chamber assigned to the City all of its rights and interest in the Shield and Love Beverly Hills XX licenses, including the right to receive all minimum royalties from JT Brands and rights necessary to enforce the Shield and Love Beverly Hills XX licenses. In 2014 the City filed a lawsuit against JT Brands for breach of contract and trademark infringement, which resulted in a settlement agreement in 2015.

This report transmits a recommendation from the City Council Branding/Licensing Committee (Vice Mayor Mirisch and Councilmember Krasne) regarding the disposition of the Beverly Hills Shield and Love Beverly Hills XX perfumes. Unless otherwise directed by the City Council, staff will implement the Committee's recommendation as outlined in the staff report.

DISCUSSION

Per the terms of the settlement agreement, JT Brands returned to the City 810 bottles (combination of full-size and tester size) of the Beverly Hills Shield and Love Beverly Hills XX perfumes. City staff inspected the bottles and they are packaged and in good condition. JT Brands is still attempting to obtain the French perfume inventory of

approximately 12,000 bottles. The City, at its discretion, may sell the perfume, at a price they determine, but the City is not obligated to do so. Should the City sell the perfume, they must provide JT Brands with an accounting every six months of inventory sales.

On January 19, 2016, the City Council Branding/Licensing Committee (Vice Mayor Mirisch and Councilmember Krasne) met to review the disposition of the perfume and recommended the City (through its partnership with the Beverly Hills Conference and Visitors Bureau) sell the perfume at the Visitor Center and also provide the perfume as give aways at select City and partner special events. The settlement agreement limits the amount of full-size perfume bottles the City can distribute as gifts or promotional items to 600 per year for the first two years.

FISCAL IMPACT

The settlement agreement specifies the split of revenues should the City choose to sell the perfume, with the first \$79,000 staying with the City to reimburse it for litigation fees. After that the City shall pay JT Brands, Inc. fifty percent (50%) of the net revenue from sales of inventory made within two years of the effective date of the agreement.

RECOMMENDATION

This report is for information only. Unless otherwise directed by the City Council, staff will proceed with implementing the recommendation from the Branding/Licensing Committee to sell the Beverly Hills Shield and Love Beverly Hills XX branded perfumes at the Visitor Center and provide as give aways at select City and partner special events.

Cheryl Friedling 

Approved By