

# Royalty Rates for Trademarks & Copyrights 3<sup>rd</sup> Ed.

*Samples pages*

## After Six Logo

Seller: Bankruptcy Court  
Buyer: Individual  
Price: \$7 million

**The After Six** tuxedo trademark sold in early 1993 for approximately **\$7 million** at auction. The bankrupt company owed \$70 million to bondholders, pension funds and other debt holders when it went out of business in mid 1992. The auctioned assets included some machinery and a small amount of inventory. Most of the \$7 million winning bid was attributed to the After Six trademark.

## Bongo

Licensor: Michael Caruso and Co.  
Licensee: Candie's, Inc.  
Royalty: 5% on sales

**Michael Caruso and Co.** is a company founded by Michael Caruso in 1978 that was eventually acquired by Candie's Inc. in the fall of 1998. Caruso, who created the Bongo brand in 1982, sold Bongo branded jeans and apparel until its acquisition in 1998.

Candie's, Inc. is a business that licenses the Candie's and Bongo name for footwear for young women, apparel and fashion products, and a designer, distributor and marketer of jeans wear under the Bongo brand jeans wear through their wholly owned subsidiary Unzipped Apparel. Candie's also arranges for the manufacture of footwear related products for mass market and discounters under the private label brand of the retailer.

In June of 1997 Caruso and Candie's entered into a license agreement allowing Candie's to manufacture and market footwear, handbags, backpacks and sport bags bearing the "Bongo" and "B Bongo" trade names. In exchange, Candie's paid **5% of net sales**, provided it is above the minimum for net sales, of the licensed products. The term of the agreement was four years with an option to renew through January 31, 2006.

## B.U.M. Logo

Licensor: B.U.M. International Inc.  
Licensee: South Carolina Tees, Inc.  
Royalty: \$10.6 million plus 2% of sales as advertising contribution

**B.U.M. International Inc.** completed two licensing agreements for their B.U.M. Equipment and B.U.M. Sport apparel lines for the Men's, Boy's, and Junior's product categories. San Diego-based Shorebreak, a division of South Carolina Tees, Inc., has signed the license to produce men's and boy's knit sportswear and swimwear. The license runs for an initial term of three years, plus renewal options for an additional nine years based on minimum sales performance guarantees. The minimum royalty guarantee over the initial term of three years is **\$10.6 million**, including an initial licensing fee. In addition,

Shorebreak pays 2 percent of net sales to a corporate advertising fund. Shorebreak began shipping the B.U.M. brands effective September 1, 1995.

#### Everlast Logo

Licensors: Everlast  
Licensee: USA Classic, Inc.  
Royalty: 6% of sales

**The Everlast** trademark reminds everyone of boxing gloves, trunks and headgear. Its distinctive curved lettering is now appearing on other forms of sports clothing and sporting goods, bringing to the market a locker room feeling of strength and no-nonsense athleticism. USA Classic, Inc. has been licensing the Everlast trademark for use on a wide variety of non-boxing sporting goods and paying the licensor **6 percent** of sales.

#### Krispy Kreme

Licensors: HDN Development Corporation  
Licensee: Krispy Kreme Doughnuts, Inc.  
Royalty: 2% on sales

**HDN Development Corporation** and Krispy Kreme Doughnuts, Inc. signed a non-exclusive, non-assignable, worldwide trademark license agreement in 1996 allowing Krispy Kreme to use all of the various trademarks and trade names associated with "Krispy Kreme" stores in connection with its manufacturing, packaging, selling, marketing, and distribution. In return for the use of trademarks and trade names, Krispy Kreme will pay **2 percent of all sales** of licensed products and if Krispy Kreme is to sublicense any of the trademarks or names they would be payable to HDN as franchise fees. In addition, HDN will pay 25% of the franchise fees collected back to Krispy Kreme in consideration for the materials, marketing, know how, and effort expended by Krispy Kreme. The initial term of the agreement is one year and will automatically renew at the end of each year unless HDN or Krispy Kreme is found in breach.

HDN Development Corporation is the owner of the rights, title and interest to various trademarks including trademarks associated with Krispy Kreme doughnuts.

Krispy Kreme Doughnuts, Inc. is a specialty retailer of doughnuts baked daily on premises in Krispy Kreme stores. Krispy Kreme's principal business is the owning and franchising of Krispy Kreme retail stores. The typical store has the ability to produce 20 varieties of donuts and between 4,000 and 6,000 donuts daily. The doughnuts produced in the stores are then either sold in house or off premises.

#### DELiA\*s Internet Shopping

Licensors: dELiA\*s Inc.  
Licensee: iTurf Inc.  
Royalty: 5% on sales

**dELiA\*s Inc.** markets apparel, accessories and home furnishings to teen girls and young women through the internet, catalogs and retail stores. dELiA\*s trademarks include dELiA\*s, Contents, TSI Soccer, Storybook Heirlooms, Droog, Discount Domain, Screem! and Dotdotpash.

iTurf Inc. is a provider of Internet commerce services primarily focusing on girls and young women of Generation Y. iTurf offers an Internet domain where shoppers can interact and purchase goods online. Such forums include chat rooms, posting boards, personal homepages, e-mail, interactive magazines and online shopping. Their e-commerce sites sell apparel, accessories, footwear and home furnishings. iTurf is a majority-owned subsidiary of dELiA\*s.

In 1999, dELiA\*s and iTurf entered into a trademark license agreement in which dELiA\*s granted iTurf an exclusive, non-transferable license to market and sell products and services as well as use dELiA\*s trademarks on iTurf's Internet domain. The term of this Agreement is indefinite and iTurf agreed to pay dELiA\*s a royalty of **5 percent of net sales** associated with the license trademarks. On November 20, 2000, dELiA\*s and iTurf combined.

#### Trilling Trademark

**Licensor:** Trilling Medical Technologies  
**Licensee:** Pfizer, Inc.  
**Royalty:** 2% of sales

**Trilling Medical Technologies Inc.** announced that it has entered into a strategic long-term license agreement with a consumer health division of Pfizer Incorporated for the introduction of Water-Jel products to consumer markets in the United States and Canada. The agreement is expected to establish a firm relationship between the two companies for the next 20 years and possibly beyond. Peter Cohen, President of Trilling Medical Technologies stated, "if sales of burn dressings and other products, which utilize Trillings technology, average \$50 million per year, than Trilling would reap \$50 million in royalties under the Pfizer pact over the next 20 years". This translates to a **5 percent** technology royalty on sales. Mr. Cohen noted that all costs associated with manufacturing and marketing Water-Jel will be born by Pfizer.

The new license supersedes the company's existing October 1988 agreement with Pfizer and substantially upgrades the relationship between the two companies. Under terms of the new license, Pfizer will pay Trilling 5 percent royalties on net sales of Water-Jel sterile burn dressings for 10 years after the product is commercially introduced. Trilling will also receive royalties of 5 percent of net sales for each new product that Pfizer commercially introduces which utilize Trilling's technology. Pfizer will also pay Trilling a **2 percent** royalty of net sales on each new product Pfizer introduces which use any of the Trillings nine licensed trademarks. The 2 percent royalties will be due Trilling even on products not associated with the Water-Jel proprietary technology.

Trilling has also licensed Pfizer to manufacture and market a line of Water-Jel fire blankets designed for consumer use in the United States and Canada. This license expires if Pfizer fails to commercially introduce the fire blanket within the licenses territory by 1994. Pfizer will pay Trilling 5 percent royalties of the net sales for a 10-year period beginning with a commercial introduction.

Trilling retained all rights to manufacture, market or negotiate other licenses overseas as well as for military and industrial markets within the United States and Canada. Shortly after the terms of this agreement were final a third party approached Trilling and Pfizer with patent infringement claims. Pfizer cancelled the deal as a matter of corporate policy.

## Prime Trademark

**Seller:** Prime Restaurants of Canada, Inc.  
**Buyer:** PRC Trademarks, Inc.  
**Price:** \$103.1 million plus 3.25% of sales

**PRC Trademarks, Inc.** acquired from Prime Restaurants of Canada, Inc., in July 2002, the trademarks and associated rights ("Prime Marks") used by Prime Canada in connection with its casual dining and pub operations for \$103.1 million. At the same time, PRC entered into a non-exclusive license with Prime Canada. Under the license, Prime Canada has the right to use the trademarks for 22 years. Also, Prime Canada has agreed to pay PRC a **3.25 percent royalty** on the gross revenue (both for food and beverage revenues) reported for certain specifically identified Prime Canada restaurants.

PRC Trademarks, Inc. is the owner of the Prime Marks, which identify a diversified portfolio of casual dining restaurants and premium pubs. PRC is a subsidiary of Prime Restaurants Royalty Income Fund ("PRRIF"), which is a limited purpose trust with an unlimited number of trust units. PRRIF through PRC derives its income from the royalties of the Prime Restaurants in the pool. Currently, there are 130 restaurants in the pool.

Prime Restaurants of Canada, Inc. is an operator and franchiser of casual dining restaurants and premium pubs. Prime Canada's portfolio includes: East Side Mario's; Casey's Bar and Grill; a family of authentic Irish pubs operating under the trademarks Fionn MacCool's, D'Arcy McGee's, Paddy Flaherty's, Tir nan Og and Slainte; and a Belgian-style brasserie operating under the trademark Esplanade Bier Markt. Other restaurant concepts operated by Prime Canada or through franchisees include: RD's BBQ & Blues and Pat and Mario's.

## Scores Adult Entertainment

**Licensor:** Scores Holding Company Inc.  
**Licensee:** SMG Entertainment Inc. & Stone Park Entertainment, Inc.  
**Royalty:** 4.99% on sales

**Scores Holding Company Inc.** owns and operates upscale adult entertainment nightclubs. Scores operates, through sublicenses, five clubs, Scores Showroom, Scores West, Scores Chicago, Scores Baltimore, and Scores Florida. In March 2003, Scores entered into a master license agreement with Entertainment Management Services, Inc. This license grants to EMS an exclusive worldwide license to use and grant sublicenses to use the "Scores" trademarks in connection with the ownership and operation of upscale adult entertainment cabaret nightclubs and restaurants and for the sale of merchandise. The term of the agreement is 20 years, with six consecutive five-year term renewal options. EMS will receive from the sublicenses a **4.99% of gross revenues** of all sublicensed clubs. Scores also receives royalties generated by the sublicensing of the Scores brand name that are not controlled by EMS.

In March 2004, through EMS, Scores entered into a sublicense agreement with SMG Entertainment, Inc. This sublicense allows SMG to use the "Scores Miami" brand name at its nightclub. In return, Stone has agreed to pay a 4.99% royalty on gross revenues to EMS.

In June 2003, through EMS, Scores entered into a sublicense agreement with Stone Park Entertainment, Inc. This sublicense allows Stone to use the "Scores Chicago" brand name at its nightclub. In return Stone has agreed to pay a 4.99% royalty on gross revenues to EMS. All of the royalties will be paid by EMS to Scores Holding Company, Inc.