international level, and may specify in the rules that the rights extend to all countries and all languages.

New Media

Because new media forms may emerge, the sponsor may spell out that the rights granted to the sponsor cover all media, now known or hereafter discovered, without further compensation to the participant.

Protection of Ideas

Finally, to negate any expectation that contest participants may have about the sponsor protecting their ideas, the rules might include a provision that the sponsor does not have any obligation to maintain any of the material as confidential or proprietary.

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Entertainment Licensing

Danny Simon

The Maturing of the World Marketplace

The world is not really shrinking, it just seems smaller.

The world is changing, and so too is the licensing landscape. Of course the world is always changing, but what is different about the changes occurring today are the speed and impact that change brings to the way we are accustomed to doing business. To remain competitive maintaining the status quo is *not* an option. I need only to outline several examples of change to prove my point.

Looking at the licensing industry, it is apparent that the United States is no longer the center of the licensing universe. Yes, if you are keeping score as to royalty income, we still remain the dominate market in all categories of licensing. But, when you look at where successful properties are coming from, no longer does the United States hold a near monopoly as the breeding ground for intellectual material, as it once did.

The fuel of past licensing successes, mega properties such as the Disney core characters, Star Wars, or the rash of corporately engineered offerings such as Care Bears, Strawberry Short Cake, or My Little Pony has to a great extent peaked, replaced by foreign offerings that have captured the market's attention: Harry Potter, Bob The Builder, a host of Japanese anime offerings, and the list goes on. What we are witnessing is a portentous shift within licensing—true globalization of the industry. If you are not keeping your eye on the global picture, you are likely to be left out when it comes to those properties that are landing on our shore looking for help.

The second factor is that time is being compressed. Days, hours, and minutes have not shortened, it is just that today we have fewer of them available—you can thank scientific progress for that. In the *old days* (that would be about three to five years ago) it could take a motion picture perhaps as long as six months to circumnavigate the globe. Premiered here, it was unlikely it would open in markets such as Japan for four to six months. This intervening time period could often provide enough time to mount a licensing campaign or arrange for trademark protection there based on the film's success in the US market.

Today, in many cases, films open around the globe the same day and date as its US premier. This means that we cannot off-put the launch of international merchandising or trademark programs, but rather, such efforts must be part of the initial marketing effort. We no longer have the luxury of waiting to see if a film will be successful before having to spend time and money on marketing it in such markets as Tokyo, Paris, or Sydney as we once did.

For many years US licensors had the luxury of holding back on both licensing and trademark efforts, and their associated costs, until a property had opened here in the United States. Then only if warranted were efforts undertaken to merchandise it internationally; today this is no longer feasible.

Even if there are no intentions to open or air the property (*i.e.*, a film or television show) in close proximity to its US release date, thanks to instant access of information available over the Worldwide Web all things become known when they happen. Therefore, in those "*first to file*" markets where date of filing of a trademark application is a crucial component in judging ownership of a mark, if a property is likely to spark attention from the US licensing community, trademark rights in relevant categories in key international markets must be planned simultaneously with the property's US trademark program.

The third point is one of pure economics: Markets outside of the

United States are continuing to account for an increasing share of the royalty pie. Not long ago the collective international market was considered by most as "*gravy*" income compared to that which licensors would count on from its US licensee base; that is no longer the prevailing attitude held by the majority of property owners.

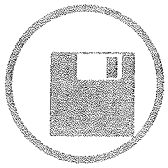
Sizeable efforts are being made to ensure, that in addition to Europe, Japan, and Australia, growth markets, such as the Far East, Brazil, Eastern Europe, India, and Russia are being tapped. Using the worldwide retail sales of licensed merchandise by geographic area as provided by licensing industry trade journal, *The Licensing Letter*, in 2008, the US market accounted for almost $60 Billion dollars (64.5 percent) of the retail sales of all licensed goods sold. This is compared with the remainder of the world markets, which totaled $32 Billion dollars (35.5 percent. [*The Licensing Letter*, March 2, 2009, p. 3.] Of the total $32 Billion dollars: China produced $1.7 Billion dollars (1.7 percent) of retail licensed merchandise sales; Latin America accounted for $1.5 Billion dollars (1.2 percent); Southeast Asia generated $715 Million (0.8 percent); and Eastern Europe contributed $329 Million (0.4 percent). The total retail sales of licensed merchandise in these developing markets amounted to over $3.6 Billion dollars, or 4.1 percent of the total sales of all licensed merchandise worldwide. [*Id.*]

Although the above percentage may seem small, to better understand the significance of these emerging markets, one need only to compare 2008 sales figures with those for 2005. In that year, these same four markets only contributed a total of $2.8 Billion dollars (2.6 percent) to the worldwide retail sales of licensed merchandise. [*The Licensing Letter*, March 20, 2006, p. 3.] This means that, on a combined gross basis, the retail sales of licensed merchandise in these four markets almost doubled in four short years!

We are quickly becoming a global village. Whether this is due to inventions that make instant communications a reality through portals such as the Web; the development of international entertainment and information channels via satellite technology; or the ease and speed with which we can travel to what were once considered to be "remote" destinations, the world has indeed shrunk. This shrinking has brought change. Those who are the quickest to shrug off the habits of an outdated era will be and are the ones to profit the most. As I said at the beginning of this column, continuing to embrace the status quo is not an option for those looking to succeed in this still very young millennium.

As Always, Happy Licensing.

Danny Simon, president and CEO of The Licensing Group, Ltd., is one of the industry's premiere foreign licensing experts.



Software Licensing

John F. Hornick and Michael Justus

Breach of Software License Claim Preempted by Copyright Act

The US District Court for the Western District of Washington granted judgment on the pleadings in favor of the defendant on a breach of contract claim, holding that the claim was preempted by federal copyright law. The court held that plaintiff's breach of contract claim based on a software license lacked the "extra element" necessary to avoid preemption because the contract contained no express or implied-in-fact promise to pay for extra copies of the software. [*Attachmate Corp. v. Sentry Insurance a Mutual Co.*, 90 U.S.P.Q.2d 1648 (W.D. Wash 2009).]

Plaintiff Attachmate sold copyrighted software called Extra! Enterprise 2000 (Extra). Defendant Sentry owned licenses to 841 copies of Extra, but according to Attachmate, Sentry actually was using more than 1,400 copies. Attachmate filed suit against Sentry for copyright infringement and breach of contract. Sentry responded with a motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c) against the breach of contract claim, contending that federal copyright law preempted that claim.

The Copyright Act preempts the assertion of "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . ," including the right to reproduce, distribute, display, and produce derivative works based on copyrighted material. To determine whether the state law breach of contract claim was preempted, the court applied a two-part test: (1) whether the work at issue was copyrightable subject matter; and (2) whether the state law right at issue was equivalent to any of the