

# HLMA

**HIDDEN LICENSING MARKETING ASSETS**

# *University*

INTERVIEW & CONSULTATION SERIES

**105 Questions And Answers  
On The Subject Of Making Money  
Licensing Intellectual Property**

**Michael Senoff Interviews Rand Brenner**

Dear Student,

I'm Michael Senoff, founder and CEO of [HardToFindSeminars.com](http://HardToFindSeminars.com).

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest resource for online, downloadable audio business interviews.

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Now, let's get going.

Michael Senoff

*Michael Senoff*

Founder & CEO: [www.hardtfindseminars.com](http://www.hardtfindseminars.com)

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Licensing is a creative game with very little boundaries or limitations. It's known as poor man's advertising and it can give enormous media exposure to even the smallest of businesses by leveraging off the popularity of movies, personalities, events or brands.

Licensing crosses over into all markets, can easily launch a product, expand a business, make a career, or make you a household name overnight.

And in this two-part interview, you'll hear all about it from licensing expert Rand Brenner. Rand's been in the licensing game since its early days when even huge corporations were still guessing at how to make money from it.

He's helped Warner Brothers Studios successfully license the first Batman movie and also helped Saban Entertainment make the big time with the Mighty Morphin Power Rangers brand.

And in this interview, Rand shares his biggest (and easiest) secret techniques he's learned along the way.

Rand demystifies the truth about how to use licensing as a shortcut to success even if you're on a shoestring budget.

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- \* Exploding the education myth with IP licensing
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- \* What your first move should be once you find a product to license
- \* The surprising reason why you don't you have to be a lawyer

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- \* 2 overlooked places to source IP
- \* The single, critical key to make your idea marketable for licensing
- \* The simple little tip that will show what your product is worth
- \* What the best industries are profit-wise for licensing
- \* How a small company can approach a big company and get a deal
- \* What categories are the "hottest" right now for licensing
- \* Who's the right person to talk with at any given company
- \* Exactly where to go/what to do for making connections in IP
- \* Breakthrough solutions for drafting easy IP agreements

Licensing is a huge part of every market and is a billion-dollar industry.

The opportunities are not only mind-boggling, they're also completely obtainable – even for the average small business owner struggling in today's economy.

And in this interview, you'll hear all about it.

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Michael: Tell me a story how maybe a guy in his garage took advantage of this Batman license and what was going on with it when you were on the scene there?

Rand: You know my background is coming out of the entertainment industry I spent a number of years at Warner Brothers Consumer Products. I was there at the time they launched the first Batman movie which was a very interesting story many people are probably very familiar with Batman through the generations of a comic book.

Michael: They had TV shows at that time right.

Rand: Well Batman was one of the first to come on from the comic books, if you will. And then you saw a lot of other types of shows that came on. I don't know if you remember this The Green Hornet TV show for a little while and then you saw The Incredible Hulk in the '70s, and these were all offshoots from these comic books that have been around in many cases five and six decades because many of these characters that we're talking about actually got started in the 1930s, some of them even as long ago as the 20s. But they built their primary awareness and audience was through these comic books and they became very, very well-known, especially to if you want to call it the older generations in which comic books at one time as it involved in the 30s and 40s and 50s were very, very big forms of entertainment, if you will. And there was a lot of stores and people use to hangout in comic book stores.

So Batman became well recognized as a character, but at that time DC was still operating as an independent company. By the time the movie was produced it had been acquired by Warner Brothers and was becoming part of a very large conglomerate. So the idea for the movie actually had been around at the studios for almost five years prior to whatever, reaching the big screen. I think and interestingly enough the previous comic book character who had been the most well-known on TV was Superman and they produced five of them. And it was interesting because they had developed those. A fascinating history but there was a company known at that time as Licensing Corporation of America. Licensing

Corporation of America had a long history they represented Warner Brothers for Looney Tunes they also represented Major League Baseball and I think at one time they also represented hockey. Many people don't realize Major League Baseball itself did not have its own licensing division.

Licensing of entertainment contact sports leagues and all this really was a business that really didn't get started until the late 80s and many people don't realize that because up until that point a lot of these entertainment properties, if you will, whether it's a movie or a sporting event made their movie in what was then the business model that of selling tickets and popcorn and peanuts. And this licensing thing was really oh go talk to somebody in the backroom at the marketing department if you want to make a toy or a t-shirt because nobody thought that it was really any money in it. It wasn't even a blip on the radar screen and you'd be hard pressed to have met anybody who was doing licensing. It was usually an assistant in the marketing department somewhere. It was always relegated to the backroom because again there was no recognition by many of these sports leagues or entertainment companies that there was any value in licensing, merchandising and selling it at retail it wasn't on the radar screen at that time.

Michael: How about Disney, Walt Disney, didn't they have a handle on it?

Rand: Yeah they were the most active in licensing but their division was small at that time. Even Disney merchandise for the most part you didn't see it as extensively in the market back then as you do now. Most of their licensing evolved around their theme parks. And so they really weren't doing anything. And many of the other studios, for the most part I can tell you through my friends and associates, were acting as agents and independent consultants if in fact there was any licensing going on it was just one of these things that was handed off to somebody in the marketing department or someplace that said "Look we get these phone calls every now and then from companies that say hey can I use the rights to this movie or TV show to put on my t-shirts or toys."

So at any rate with the first Batman movie the studio had decided to make a concentrated effort around licensing. And so they moved the division out and they had to go find people to staff it and so they brought in people from advertising and marketing and various places. And it was one of those things that were literally we joined the licensing division, we were handed a telephone and they said "Go license this to somebody."

Michael: So you guys were selling license as you were hustling...

Rand: We were hustling for licenses and this is what makes the story interesting. As we were out there trying to license Batman every major manufacturer we talked to said "We're not interested because Batman is just this comical character. Superman had just been done. We don't see any value in it. We don't want the license."

Michael: What's your sales pitch? If you're calling these guys what are you telling them? What's the big promise when you're making cold calls?

Rand: Well that's always a fascinating question because sometimes you're working with limited information. I will say this "I guess one of the inside stories of the studio the licensing division was really the stepchild of the studio. And by that I mean there was no division anywhere that wanted anything to do with us. We were considered the pariahs that we would take this artwork that was being developed by production and we would grossly commercialize it. So we literally were working out there with no support from anybody. And so what we had to do is we had to scrape together any information that we could and we would basically find leads, make cold calls, go to tradeshow and start talking to companies about the fact that there's this movie coming out called Batman and basically would you be interesting in licensing it for shorts or t-shirts or whatever it is? And that's literally the way it ran.

Michael: But you couldn't promise it was going to be a huge hit. That's the thing you're selling a potential hit.



- Rand: That's it and nobody even really knew. That's where it got really interesting because you had major toy companies and other manufacturers who were very large in the market and they took a look at it and they're assessment of it is we're not going to risk our investment on these entertainment projects, especially from comic books because we just don't see any market for it. At that time they had very well established brands of their own be it boys toys or girls toys or whatever it is and at that time too there were many more toy companies that were out there and many more retailers. So they did not view it as did many retailers as any kind of really viable brand at that point.
- Michael: Alright let me ask you this, let's say you got a listener and he's approaching an entertainment property or some license that could be a long shot. So you're saying no one was interested, how good of a deal if you had called me on the phone and said "Mike do you want a t-shirt license on the Batman character", what kind of deal could I have gotten at that time?
- Rand: There were people that picked up Batman for about \$2500 bucks and about an 8% royalty.
- Michael: You mentioned categories explain to the listener are there hundreds of different categories, is it standardized now?
- Rand: Well now it's a lot more, but when I refer to categories I'm really talking about product categories, toys, apparels, food, beverage, electronics, household goods, sporting goods, musical instruments, those are what are generally referred to as Product Categories.
- Michael: So for \$2500 bucks I could have gotten a license, give me an example for clothing.
- Rand: So for example you may have gotten a line that says "Geez I can make some t-shirts and hats and headbands."
- Michael: And I would have the absolute exclusive license on hats, t-shirts and headbands.

Rand: Well now generally licensing are not written as exclusives and there's a lot of reasons that they're not but you would have received the license. It would have been a non-exclusive license. I'll caveat that by saying that most of the time in entertainment, even in sporting goods it's non-exclusive, but in the negotiations it's discussed that there won't be other direct competitor's licenses. It's not in anybody's interest to have two of the same thing on the market.

Michael: I see. So generally today companies don't license exclusives unless it's just a huge deal.

Rand: Exactly.

Michael: Tell me about this little bike story a story about an unknown family and a company that had been producing bicycles.

Rand: That's one of many stories but it's interesting, again it's one of these stories where you got some entrepreneurs, you got a little bike company it's been operating s a family.

Michael: What do you mean bike company, they manufacturer bicycles?

Rand: Tricycles, kid's bicycles. At that time they made a lot of the low cost bikes. Distribution was starting to open up. At that time Wal-Mart was still building so they did a lot of work with Kmart and Target and places like that.

Michael: Was this a deal you got on your own?

Rand: It's a combination of factors. Warner Brothers we went out to the licensing show which at that time it was in New York at the Javits Center, it was very small at the time and we were sending out PR Releases just to get the word out, so people knew we had this property and so as a result of going to tradeshow this company happen to get some information. And so they called up the studio and they were referred over to me since that was the category I was handling and basically they were interested in getting a license for something. We hadn't initially talked about anything and we said "Great" and they sat up an

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appointment and said they'd like to come in and discuss. And prior to that, of course, they sent out a few samples of what they'd made, water bottles and they sent a catalog with the bikes and we said "Okay fine, come on it."

And basically it was one of the brothers who owned the company and they came in and we started talking and we talked about the fact that we had this Batman movie. And they took a look at it and they thought, okay why not Batman Bike sure we can do that. And so I think our deal was \$2500 or \$3000 dollars and they decided, okay we'll make some of these bikes for kids at about 10 or 12 year olds, two speed bikes and we'll soup them up, we'll put some stickers on them, make them in black and we'll make them look really cool

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Michael: Okay let me ask you this? Now you selling the license, you guys were pretty desperate, he made these bikes. Really there weren't too much qualifying you had to do, you knew he manufactured bikes, you were desperate to sell licenses, so how much qualifying did you have to do to be able to take his money and agree to a license?

Rand: It's interesting that you raised qualifications. You know everything changes, success breeds maturity in anything, so initially I'd say the folks that came in were able to pretty much qualify to get a license with minimal qualifications. The fact that they were a viable company, they had product, and they could demonstrate that they had some distribution somewhere pretty much qualified them to get a license.

Michael: Okay but as the licensor you knew you were taking a chance with all these licensees. There's no guarantee that they're going to be able to sell tons and tons of bikes, but if they do great it's all a risk right on both sides.

Rand: It is a risk on both sides and you bring up a really interesting point when it comes to this because really in the licensing business timing is everything and it's one of these stories that I share with people that because of the

situation, because Batman wasn't being perceived as a viable property because the studio was somewhat desperate to get licenses these companies were able to come in and basically take...for them it was a risk and the fact that they're going to put money down and make this product, for the studio they were just looking to populate the licensee list, which is the terminology at the studio at that time, populate the licensee list so that they could go and provide something to the producer to let him that we had something going on.

So it was an opportunity and the opportunity was for these small companies who basically came in and said "Okay, we'll take a shot on it." And by virtue of a series of factors that were going on and timing you didn't have to have a lot to be able to qualify for these licenses. And I will say this in many cases there were some people that just happened to know people in the studio. They were friends of friends so they called up and said "I got a buddy that makes water bottles" and they said "Okay, great you want a license here you go." They wound up getting a license because nobody really knew what was going to happen with this thing. There were a lot of drivers within the studio that had more to do with the politics of the studio and the fact that they wanted to keep the producers happy and they just wanted to show some products.

I mean it's a very dynamic market and I'm sure your listeners have probably heard stories about entertainment and entertainment can be pretty crazy. That was the set of dynamics that we're going on at the time. Beyond that it gets even crazier because now we'd right up these licensing deals.

Michael: Before we go into tell me what happened with the license of the bikes. Did he end up selling a bunch of bikes?

Rand: Oh he did phenomenally well. They wound up getting their bikes into Wal-Mart and they probably did \$10 million dollars plus.

Michael: And this would have been after the movie aired and was a hit right.

Rand: Yeah the movie came out. Well it's an interesting set of dynamics nobody believed in it and suddenly there was a tipping point, if you will, that the public certainly sparked to the movie and what happened is literally there was a 60 or 90 day period when all of a sudden out of the blue the media just turned on it, the public was very engaged with it, the retailers started to responding, the phones started ringing to the manufacturers, suddenly everybody wanted product to get involved. Nobody was quite sure what it was but suddenly all these little companies who had been going out to the retailers saying "Hey we got this Batman license, what do you think?" And the retailer buyers would go maybe, maybe not, we're not sure, whatever it is suddenly something happened in the marketplace and now they all want to the product and for many of these companies suddenly they got swept up in a whirlwind. And before they knew it they were getting phone calls from the licensing division saying you got to get a hold of Target, you got to get a hold of the Kmart, Wal-Mart what products do you have we're trying to set this up? Licensee lists were going out there and they were getting calls from buyers because suddenly for whatever reason it took off. And that's one of the amazing upside opportunities that happens with entertainment is something triggers it before you know it your business could be swept up into a multimillion or multibillion dollar entertainment brand.

Michael: And the studio becomes your partner.

Rand: Yeah.

Michael: So what you're saying is once the movie hit the studio's getting all these calls from major manufacturers, retailers and you're sending out the official licensee list. Is that right?

Rand: Yeah. It's interesting you bring this up because licensing is more than just about signing the deal and getting the rights to make a product. What you're forming is a partnership and many people, especially listeners out there if you're an entrepreneur or business owner have to understand you're opening up a relationship. And what the licensing agreement is doing is giving you an opportunity to open up a relationship and leverage that

relationship beyond just the fact that you're a licensee. What happens is the studios then put together licensee lists and these licensee lists are sent out to all the major retailers and buyers. And today since the industry has grown very large today all the studios maintain what's called Retail Development Divisions and these divisions do is meet with every major retail buyer out there on a weekly and sometimes daily basis to update them on all the license products, the new licensees and to develop in-store promotions and special incentive programs built around the upcoming movies or TV shows to help sell merchandise. And what happens is you are now part of that program.

In fact there's a whole strategy that many small businesses and entrepreneurs can use affectionately referred to in the history as poor man's advertising and that is where if you got a new consumer product you want to introduce into the market, and I'll use toys as an example, it's very expensive to introduce a toy product today because if you go to retail and you want to create your own brand, you're going to meet with these buyers and they're going to say "Well nobody knows about who you are and what your product is so how much are you going to spend in advertising, you got to commit to TV, you got to commit to print. It could be very expensive you're probably looking at \$10, \$20 million dollars to try to launch your own brand into retail today, especially with toys because retailers today are not in the business of letting you put stuff on the shelf and hope it sells they're on the business of selling merchandise and if your product is not known they haven't got room for it.

So the opportunity is through licensing, and this is a strategy that's employed by many of the companies that I work with, is they basically license these well-known kid's TV shows and movies because they're an established brand in the market. And what happens is once you license them you now leverage up on the relationship that the studios have already established by virtue of the fact that a TV show or movie has created awareness among the consumers, but more importantly it's been out there now for a period of years. It's established itself at retail and now the buyers are interested in finding out about any new

product that's coming out because that's part of this brand. It could be Batman, it could be Barney, it could be Sesame Street, it could be Wiggles you name it. What happens now is you have the ability, if you will, as a startup, but I say that with a caveat because you have to be a little savvy about how you would as a startup get the license but there are ways you can do it. But what this essentially does is allow you to take your product and immediately go to the top tier retailers as part of "a major kid's brand." And now all of a sudden instead of having to spend \$20 million dollars on advertising you suddenly are moving right in and now the requirements for your product to be in there are much, much less. In fact, they can be very little since it's now being supported by a TV show.

There's other things that may come along there may be an advertising fund that the licensor may require you to put in a few thousand dollars or they may be promotional events that the retailers are putting together where all the licensees are required to make a commitment of whatever it is \$5000 or \$10,000. But the strategy is one in which your cost to get into those major retailers is significantly less because you're part of a major brand.

Michael: Yeah it's just the ultimate joint venture marrying a toy manufacturer with a huge brand with appeal it's just instant distribution that's fascinating.

Rand: It is and it's a strategy that for many as I said entrepreneurs and small businesses who really take a hard look at it. And of course we're talking about major entertainment properties. But this goes across the board as many, many opportunities on smaller properties in which entrepreneurs and small businesses can get a foothold. I mean obviously the way the movies are today it's very challenging as a small up and coming business to get those movie licenses but there's a lot of second and third tier entertainment content that's now coming out, distribution channels are changing online. So there's many, many opportunities to be able to access this content and to be able to use it as a launching platform to get your products situated at retail and online.

Michael: Hey I was just thinking I just interviewed a motorcycle daredevil stunt guy named Bob Gill he was called the Florida Flyer. And this has been back in the 70s Evel Knievel was already around for about four years, but this guy kind of starting jumping and beating all of Evel Knievel's records and he was telling me the Evel Knievel, the toy license, they did about 350 million back in the 70s. Do you know anything about the history on that?

Rand: Yeah Evel Knievel actually was a fairly well-known brand back then and they probably did those numbers I mean a lot of the success of a lot of these licenses too depend on how crowded the marketplace is. And again in the 70s and 80s it was fairly uncrowded so there's many of these runoffs for the odd kind of personality or character licenses that actually did some pretty large numbers in the market simply because there wasn't a lot of competition. So for Evel Knievel who back in the 70s was a fairly well-known character who rides a motorcycle you had a number of manufacturers where that was a real good fit to make motorcycles or figures with Evel Knievel on there. So in all likelihood there probably was a fairly successful merchandise program. And again it all depends on your viewpoint on it but again if you're a small manufacturer got involved with Evel Knievel, if you go and sell \$5 or \$10 million dollars worth of product.

Michael: Not too bad. I don't think they could have sold those little motorcycles without Evel Knievel's name. Do you know anything about the Bachagon character Spin Master, the Bachagon toys?

Rand: You know Spin Master's an interesting story. They're a Canadian company and their business is predominately built on licensed properties not only entertainment properties but also inventions. And it's a strategy they use to grow very quickly to become a very, very large company.

Michael: Bachagon was toy of the year I think last year.

Rand: Right.



- Michael: And I've got a ten year old and a seven year old and believe me we've got plenty of those.
- Rand: Oh yeah, Spin Master is the very, very big player in the licensing business they license a lot of properties. And that strategy in itself can become tricky, I mean there's a whole discussion to have on how you use that, but they've been very successful in leveraging up on the properties that they've acquired both entertainment as well as inventors, you know technology people have invented products. And they've very quickly turn those brands into multimillion dollar sellers as well as help to establish Spin Master as one of the largest toy companies in a very relatively short period of time I mean they got started probably about 10 years ago, maybe a little more, but in the context of looking at growing a company to a couple of hundred million they ramped up very quickly using the licensing model.
- Michael: Alright give the listeners a quick easy brain dead definition of what licensing is so after hearing some of these stories they kind of get it. What is licensing in a nutshell?
- Rand: Actually what you're doing if you are looking to license an entertainment, a TV show or a movie you're essentially renting the rights. You're going to them and say "I want to rent the rights to use that character or that logo on my t-shirts." It's much like real estate they are the landlord, they own the intellectual property. You'll notice the connection and here's an easy way to remember it. You have real estate which is known as property. You have IP intellectual property copyrights trademark it is property it operates as an asset much like real estate does. Of course the significant difference is one is tangible and one is intangible. And for your listeners it means one is you can touch and feel it and the other is it comes from the mind so you can't touch and feel it. Okay.
- Michael: Alright so let's go into your Power Rangers story. I know what Power Rangers are, I've seen the TV show and I know about my kids and my cousins having the toys. Tell me this story of Power Rangers.

Rand: Well it's interesting Power Rangers were a similar type of situation. After I left Warner Brothers I moved over to Saban Entertainment and the story of Power Rangers was very similar. It was a small studio and the owner of the company had gone to Japan back in the 80s and acquired the rights to these Japanese animation from one of these animation companies in Japan they had produced this stuff and...

Michael: But let me ask you this before you go into this story, when you went over to Saban did you go over there specifically for licensing expertise?

Rand: Right. In other words, Saban was a small entertainment company. It's another interesting story. The Founder of the company Haim Saban had come over and was a music producer and started off producing the music soundtracks for kid's show, and then of course they got their one break with Marvel to produce the animation for one of their early animated series and at that time Saban was known as the knock-off artist. At that time Disney had put out Little Mermaid and Saban had put out Saban's Little Mermaid. Disney had its Aladdin and Saban put out his Aladdin. And basically what he was doing is riding the coattails of what Disney was doing with their entertainment.

Michael: What was he doing with his stuff movies or TV?

Rand: It was TV shows. Just a low end it was the quick knockoffs produce it down and dirty and ride the coattails of the awareness that the audience has for these cartoons. So there's many, many strategies you can use in entertainment content.

Michael: Alright so he went to Japan and did he get the full exclusive rights to that Power Rangers?

Rand: Yeah what happened it was part of a library firm Toei Animation and he had gone out in the 80s just looking for content from other parts of the world and have the idea that we can take this content, repackage it for the US at a very, very low cost.

Michael: Was it successful in Japan Power Rangers?

Rand: Yeah Power Rangers had actually been known, not as Power Rangers, but as its Japanese name it had actually been out for 20 years. It was still being aired it's just that the company that was producing it wasn't doing anything. It was a Japanese live action kid show and so they didn't view it as having any viability for the US market.

Michael: Anyone listening to this, and I'm thinking okay I'm looking for a good investment in IP, Intellectual Property. That's all he was doing he was looking internationally for some good IP products.

Rand: That's exactly what it is. I mean it's interesting that's a good point that you bring up is many people have to realize that people are out there investing in IP they're not creating - a lot of this entertainment content Saban was a perfect example he produced very, very few original content productions. Eighty-five to 90% of everything they produced was licensed IP that they acquired from somebody else that had already been produced in some other format or some other language.

Michael: And he changed the name and remarketed it for America.

Rand: He changed the name, reedited it, pulled out the Asian looking characters and added in your Black, White, two girls and a Hispanic, edited that together for about \$20,000 bucks and then proceeded to go out and try to pitch it to one of the television networks to see if they'd buy it and start airing it.

Michael: And that's what he did.

Rand: Yeah except people have to understand it took him eight years before that show ever got on the air.

Michael: So had he been pitching it the whole time?

Rand: Pitching it all the time. And if you saw the first episodes of Power Rangers you'd look at the thing in recoil in horror.

Michael: Oh yeah it was terrible.

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Rand: You're telling me that a show named Power Rangers with a bunch of high school kids that click their hands together and turn it into these costume characters with these megazords that go out and fight the evil Lord Zed.

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Michael: That's right. Who went for it?

Rand: Well it was another interesting story. Along with Power Rangers, because it had been very successful in Japan, there was a toy company that had a US division that was essentially bankrupted and nobody would give them...Bandai wasn't doing anything in the US and I know I used to call on them when I was at Warner Brothers that used to be the Creative Director and a President up in a little room in the toy building and the only license they could ever get was Tom and Jerry. So they didn't really have a viable business. And what happened is when Power Rangers was acquired by Saban, part of a licensing deal was that Bandai had the first rights for it here in the US and so they came along with the deal. But as far as the other categories I'm talking about that was wide open.

And so once again the licensing division we had to go out and find companies that wanted to license this Power Rangers. Now keep in mind we started out very early, the show hadn't even gotten on the air yet and by the time we got it placed on the air most people had looked at this show and said "I don't know that this is going to make it." And so once again there's an opportunity because most of the companies that we license were these small entrepreneurs who are willing to take a risk. Who were ponying up \$2500 bucks at 8% and said "Okay, we'll take a shot on this Power Rangers thing." And what happened is they put it on the air, I think it was the fall of '92 and within four months suddenly the kids were glued, the ratings were off the charts and before they knew it the retail demand was through the roof.

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Michael: Okay and so the retail demand was coming back to Saban saying "Are there any products with these characters are there any products with these characters?"

Rand: Absolutely there were. And so what was happening is we had licensee lists, they wanted those lists of companies that were licensed and they were contacting them to say we need your product.

Michael: When you were selling the Power Rangers licenses you knew that there were going to be a show being aired right that's the carrot.

Rand: Well initially when you go out, I mean it's a combination of things. Of course they have a new show coming out so they want to bring licensees it all works hand-in-hand. Now what happens is licensing helps promote the show, the show helps promote licensing, the more products you have in the market the broader the exposure you get. So it's a partnership and it's one that now it's a model that's very mature it's used extensively as a component to help promote the movie and expand the awareness and support it and generate revenues and things like that. So generally you'll find that as new shows or movies come out there's always going to be a licensing opportunity, more so with kids stuff and animation than there is with live action. And for any small business or entrepreneur who's thinking about this or would like to get involved in it the trick here is to look down the horizon to find out what's happening a year or two down the road, which you can do because the earlier that you can identify these properties the better the opportunity to get the license. It's like anything else supply and demand if you're one of the early ones to get involved with an entertainment property you're going to get the best deal.

Michael: You probably know the inside scoop but are there inside ways for a guy like myself or someone who wants to take advantage of a license to get kind of insider information of upcoming TV shows and most of the public doesn't know about.

Rand: Sure. You know you do a little homework. The internet's a fabulous tool now. You can get information on just

about everything coming out. It's like anything else you just have to go out and research the information but you got Hollywood Report and Variety. You got licensing organizations and licensing trade magazines that are constantly updating and presenting new stories about various properties. So there's many sources that could be tapped into. And it's not only entertainment content, by the way it's across the board it's the entertainment, artwork, sports, any number of different categories are out there. I know we've been talking about entertainment but there's many other content opportunities that exist beyond entertainment inclusive of the whole video game world which in and of itself is content and many of these video games get very broad exposure so they offer opportunities.

There's books, you can walk into any Barnes & Noble and just take a look at what's on the shelves, and especially in kids you may spot some books. I mean when you think about, for example and I talk about books, when you think about Harry Potter. Harry Potter was a book that had been out for a decade before it ever reached the big screen. And so there's many, many examples like that of places to go. You know the nice thing about entertainment content or intellectual properties it's everywhere. So for any small business owner or entrepreneur it's just a question of making yourself aware of what's out there. As I say to people I say "Look the licensing process is as easy as simply identifying something, getting the information of where the owner of that copyright is, whether it's a company or an individual, and making a phone call and saying "I'm interested in licensing xyz do you license it?"

Michael: What if they say licensing what's that? What would you say?

Rand: They're usually pretty familiar.

Michael: Do like a role play.

Rand: Sure.

Michael: So if people want to go after an IP when they call, who do they ask for and what do they say?

Rand: The first thing you'd ask for, maybe it's a book, maybe it's a copyright whatever, the first thing is to identify where you think the company or entity that owns the copyright or trademark whether it's a studio, a TV station, whatever it is it's to make a phone call and say "I'm interesting in licensing xyz can you tell me do you license it and if so who do I speak to about it?"

Michael: Alright so let's say they transferred you to Jim.

Rand: And they say "Oh sure we have a licensing division." Maybe they don't have a licensing division. You might wind up with an assistant in the marketing department. Or they may say "You know what we do licensing but it's handled by an outside agency, let me connect you with somebody who can give you the information or here's the information you'll need to call them direct."

Michael: So let's say it's not a developed department and it's Jim and the marketing department. What do you say to Jim?

Rand: It's really a simple case of "Hi I'm interested in licensing so and so." If they haven't got a formal program they will probably ask you what are you interested in doing and you'll tell them. And they may say something like "Well I'm not sure I'll need to check. Can you send me something in writing a proposal?"

Michael: Do you make them a money offer?

Rand: We're getting into negotiation tactics but generally what you do is they're going to need something in writing anyway but what you do is you make them a proposal that talks about your company, what products, your service you're interested in, where you're going to distribute it, what you think you can do with it and then you make them an offer. You say "We're prepared to guarantee you \$10,000 dollars over two years and a royalty rate of 5%. And keep in mind that that's just an opening point. Or on the other side if they haven't established a licensing division they may already have some pre-defined terms anyway. They may say "Okay yes we do license our minimum guarantees are this, the royalty rate is this,

these categories are available, whatever the case is then you would be submitting a proposal based on the minimum standards that they require for whatever you're in licensing, so the situation just depends.

Michael: So let's say there's like these big entertainment properties, Spiderman, Batman, if an average Joe wants to go out to a license for category and wanted those products that's already really developed, what kind of money are we talking about that someone's going to have to put down to acquire something like that?

Rand: Well those are significant. They're obviously very well-known brands.

Michael: And we're talking \$50,000 dollars, \$100,000 dollars.

Rand: Yeah I think you'd be looking at \$50,000, \$100,000 possibly more, depending on the categories you want, but the caveat here is it's all negotiable. It depends on how you approach them. It depends on what product categories you're interested in. There's a whole strategy that's involved, especially in these larger studios of understanding what you're looking for. I mean some of the common mistakes that are made by small entrepreneurs or companies that approach the studios is they go in asking for more than they really should and wind up with a very large guarantee. And depending on what the products are that may or may not be the best approach they're other strategies that you can use in which you can go to the studios and if you understand the dynamics of the negotiation you can begin at a smaller scale, if you will, to get the door open.

The key is in many cases with licensors it's just to establish the relationship once you build upon the relationship you have an opportunity to go in and expand what you'd like to do. And so again that requires that you assess the business and what you think you're going to do with it and where you can go and understand the market, and we're getting into some marketing discussion, but you know a good part of licensing is marketing. Obviously it's acquiring the license and then marketing kicks into the process because of executing on the license.



Michael: Let's say I want to speculate and I see maybe an intellectual property that's not developed. Let's say they've invested in it but it's not going anywhere, as far as the owner knows it's a loser they don't know how to market, and I wanted to approach them for like a worldwide exclusive on it. Let's say that the business was dead is there a term for getting a total exclusive on an intellectual property where I could control it and then relicense it out?

Rand: Well that's known as sublicensing and there is a strategy for that and a term, it's known as getting what's called Master Licensing Rights with rights to sublicense. In some cases that partnership strategy or that licensing strategy makes sense and in other cases it doesn't, it just depends. That is a strategy actually when you talk about licensing agents there's some licensing agents that actually go in and in effect become the master licensee with sublicense.

Michael: Do you have an example of something we'd know?

Rand: Well oftentimes what happens is, I'll use a parallel branch in certain instances which the owner of the brand isn't the manufacturer they actually just have the brand no license and a parallel manufacturer to make it. In many cases they'll give them the right to sublicense ancillary categories, accessory items, things like that. But they in themselves don't make but it's a better strategy to enable the anchor of parallel licensee to do the sublicensing because they can better coordinate the look of the products and the packaging and the brand than the licensor can. That may be one example of a company doing that.

Michael: Let's talk about an example here. You've got one of that's called Taking it to the Bank and it was a small guy who had a blow mold for a Batman Bank. Tell me about that.

Rand: Yeah again it's one of these entrepreneurs who had a relationship and went to Warner Brothers and had an idea about making these blow molded banks, you know blow molding is just a process where basically you create those plastic banks. You've probably seen the piggy banks and a

term for his blow mold. Anyway he went to Warner Brothers and basically he through building a relationship that I want to do these banks and then came up with the idea that said "What if we offer these banks to one of your big promotional partners?" Because another side of licensing is what's called Promotional Licensees and those are the bit promotional partners, the fast food, the beverage...

Michael: Yeah McDonald's and Burger King right.

Rand: Right. Those are known as promotional licensees and those are the ones that license the rights to do the Happy Meals or whatever the heck it is.

Michael: And that's a category right.

Rand: Yeah that's in of itself is a category and those tend to be the much larger deals because they're licensed more for their promotional dollars they're going to put behind the tie-ins, if you will. But understanding the opportunities that open the door through licensing this gentleman's idea was what if I offer these blow molded banks to one of your promotional partners as a giveaway or a premium to include with their product. As it turned out they wound up doing a deal with a cereal company.

Michael: So did the bank manufacturer have to acquire a license?

Rand: Well that is an interesting question too because this shows the difference levels. What happens is they were looking to develop it as a premium item. A premium item means that you're not selling it at retail but what you're doing is you're making it for someone else to include as part of a product or as a giveaway to incentivize people to buy the product. And so in this case he actually did take both the retail licenses for the bank as well as the rights to do it as a premium. And so ultimately what we put together and what was created was taking the blow molded bank and shrink wrapping it onto the boxes of cereal. And it all seemed like a great idea and the cereal company decided to do black boxes of Batman cereal, which had never been done, and there's lots of reasons why you don't do black boxes of cereal.

So anyway they put this together and he wound up getting an initial order of hundreds of thousands of pieces and they shipped them out there and the cereal company shrink wrapped them on the boxes and they shipped them out and they put them on the store shelves. Well something happened they weren't quite expecting. What happened is the kids went in the store, saw the cereal with the blow molded banks, reached up, grabbed the cereal boxes and ripped off the blow molded banks and left the cereal boxes. Now this is an interesting story because people don't realize there's many things that occur that are outside your control or you even think about, especially when it comes to entertainment and kids. And this is one of those unique situations where nobody had anticipated that kids would reach up and do that. This is why, for example, and this was done obviously a number of years ago you don't find cereal boxes with products wrapped on the outside that's why the prize is always inside okay. But these are just interesting stories that evolve. So he did very well by simply being engaged, getting Batman early on, going into the studio, leveraging a relationship, talking to people, finding out what was going on, showing the product around.

Michael: And he got a deal with the cereal manufacturer.

Rand: And he got a deal with the cereal company.

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Michael: Okay but the lesson here without that retail license or that premium license or whatever he had he wouldn't have had the clout to go to that cereal company because they could just go around and get it themselves.

Rand: Well no. And also he was put directly in touch with the cereal company because he had a product that seemed to make sense. And one of the interesting opportunities that you get when you become a licensee, when you're part of a licensed entertainment property or sports or whatever you're part of a group and what the licensor looks to do is maximize their revenue opportunities. And a lot of that

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has to do with introducing licensees to one another to develop cross promotions.

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Michael: Once you get that license you truly are a partnership.

Rand: Oh you are. And so it really opens up the doors and for a lot of small businesses they don't understand. They could partner up with some very, very large companies, depending on what type of products you're doing. I mean I had a client from Australia that introduced a new pre-school product and we wound up getting them the Bee Movie and Wiggles and Thomas the Tank.

Michael: Tell me how that evolved. I think that's one of your stories. If they were out of Australia what were they manufacturing?

Rand: Well they manufactured radio controlled vehicles for preschoolers. A little different the control mechanisms were different, but the idea was to add some innovative technology and they wanted to introduce those or the products into the United States into their brand. After meeting with me and explaining the cost and the logistics of having to establish themselves we had presented to them the idea of licensing kid's brands.

Michael: Did they understand that concept?

Rand: Absolutely. And they went back, they did some research, they did some evaluation, called me back a couple of months later and they said "We understand exactly what you're talking about and we want to come out and engage you to launch us into the United States using licensing." And that's what we did. So they came out and I worked with them. To set the company up to be in a position to go and get the licenses that requires understanding how to make the presentations, the distribution, because again they were startup, they hadn't established themselves in the US so we wanted to make sure that we covered all the basis.

Michael: Tell me a couple of things. So let's say someone's listening to that's international, they're manufacturing something they want to break into the US so what are some of the things they need to think about to be positioned properly to acquire the license? Like what are some of the stuff you did for them that's real important that they better have going on?

Rand: Well among the things that they need to do obviously is they need to make sure, you know you can't just show up and say "Okay we want to get the license without having some kind of sales organization, some kind of distribution platform, some kind of US office representation. I mean there's certain things that you need to do and there's certain questions that are going to need to be answered. And so what I do is I work with them saying alright we've got to get a presentation developed to answer key questions that they're going to want to know. I mean distribution is always a very big thing if you don't have distribution it's going to really hinder your ability to qualify for the licensing. If you don't have a sales organization where you can provide information that says "Listen we have either these sales reps or inside salespeople and here are the accounts that we call on. Okay. And there's ways in which you can partner up with organizations to help you get those kinds of resources in place.

So what I do is I work with them to make sure that we had the right information compiled into a presentation that I knew was going to be critical for the licensors and evaluating the company to get those licensing. And then of course a lot of it too the reason they bring me onboard is because of my relationships with the various licensors, especially the studios, through the years of all the people that I've worked with over the years and their movements to other studios. So a lot of it is relationship driven. A lot of the value I provide for clients is the fact that I know the right people to talk to.

Beyond that is once we've helped them evaluate which licenses makes sense for the product because we want to maximize it, and then we go through the process of identifying which brands are still available for the

categories that they want, especially for toys that's not always available. And then we were able to identify certain kid's brands that were available. And based on the presentations, part of the presentations of course are a overall proposal of what product categories the company would like and what they project they could do with them from a sales perspective and what kind of financial commitment they're prepared to make.

Michael: For example, they had this product out of Australia and your expertise could you just drop that product in with an established company with sales representation and distribution and say "Look guys here's this great product, we're going to go after these three or four different licenses and if we get the licenses would you guys be willing to go in on this and promote this and get us the distribution." Was it something like?

Rand: Right. In other words, again that's a partnership strategy and there's many, many ways in which you can leverage your partnership, you can work with companies that already have existing distribution under a strategic alliance. And so there's many ways in which you can, if you will, create the structure.

Michael: Or just go into existing infrastructure.

Rand: Right that's what you're doing, you're essentially, if you want to call it borrowing somebody's infrastructure or whatever it is, but you're creating these relationships ahead of time. And most of them are done just through contracts, written agreements, but you got that in place now and now what you're able to do is when you make your presentation you're able to present to them the fact that you got six reps over here and you call on these retail accounts, whatever the case is.

Michael: So what kind of investment did they have to come up with just ballpark to acquire those licenses and then what happened with that client?

Rand: The acquisition calls were based on the strategy that I laid out for them in terms of negotiating the deals and for them to acquire, they acquired The Bee Movie and Wiggles and

Thomas the Tank and Little Golden Books and we put deals together, the sum total of which caused them upfront \$35,000 dollars.

Michael: That's not too bad.

Rand: No because the way we structured the deal and the product categories we ask for and the financial commitment we structure in such a way that we could push it back on the backend of the contract Number 1 and Number 2 we didn't go in asking for too much. We kept it balanced because the key was once we got the license we begin to build a relationship. And what happened actually as we started to develop product on the various licenses we actually went back in and acquired more products that we had the rights to produce. And in many cases we got those additional products with no additional fees added to the license.

Michael: I got you.

Rand: Okay but that again those are nuances of the strategy of opening up the door, negotiating, putting the deals together, and things like that.

Michael: Can we do another story?

Rand: Sure let's do one more story.

Michael: Alright how about the Terminator jacket.

Rand: Now that's an interesting story. Again I was retained by a company it was new apparel company and they were looking for a way to expand. So one of the opportunities they saw at the time the fourth installment of The Terminator movie was coming out and it just so happened that once again through my relationships I knew the person that was handling the licensing for Terminator. And so in working with this company we were discussing what could you really license for The Terminator and it turned out that they were a company looking to expand and get greater visibility. And so one of the areas that we looked at was doing a replicate jacket that The Terminator wore in the movie that leather coat. And so what we did is

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we talked about it and basically what I did was work with them and go in and once again positions the company. We had to go through setting up the distribution, making sure all the questions are answered, get them ready for the presentation, go in, make the presentation that here's the company, here's how we would do it, this is what we're looking to do. And this is after finding out of course what categories are available. Part of what I did for them is to go in and have that initial conversation and say what product categories may be available.

And so The Terminator jackets are - we went in and made a presentation and ultimately we created a program where we thought wouldn't it be great to have these replicate jackets as collectibles, limited editions. And so that's what we created we got the license and decided to do limited editions and as we developed the product we had come up with the idea let's do a very, very high end jacket where there would only be 500 of them but they would be known as the Gold Edition because we would get Certificates of Authenticity signed by Arnold Schwarzenegger The Terminator, which we did.

Michael: Who owned the license on The Terminator?

Rand: It was a complicated license because it's owned by several parties. An interesting story behind that one Terminator IV, that's why you never saw The Terminator in total the robot because they didn't have the rights to the actual Terminator robot.

Michael: Oh they didn't.

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Rand: That's why you didn't see a lot of it in the money you only saw partial pieces of it. But at any rate we had licensed it for the jackets so we did these collectible jackets. And then we did a lower end collectible jacket. The gold jackets were going to be \$2500 dollars I think they were and then we had a lower end jacket that was like \$600 or \$700 dollars that did not have the limited edition authenticity. And then as part of that deal they were



developing a movie and so there were all sorts of promotions that were being developed around the movie around the country.

And so as the license evolved we took advantage of all the different promotional opportunities that were occurring around the world actually. And the jacket was actually part of a number of movie promotions in which there was print and radio where people could enter and win prizes and one of the prizes was these jackets. And they got publicity in Japan they got publicity in Europe with the jacket being featured in a lot of these print ads online and television that were being put together by the promotional companies that were promoting the movie openings around the world. And then of course we leveraged up the retail opportunities that the studio was developing for The Terminator merchandise. Once again it's just another small company tapping into a license that allows them to leverage up and expand their distribution and sells.

Michael: For the average guy can I get in this licensing game? Is there anything that you've produced product wise that someone can learn more about?

Rand: Yeah that's a good point Mike and there is. Basically licensing is a game that everybody can get into. And you're right, we have covered a lot of material and there's a lot more to cover and to be able to do that obviously takes a lot of time. So what I did is I created a series of audio products, they're audio products with workbooks to give people the information, the tools, the forms, the contracts, everything they need to get in this game and to be able to go out and acquire licenses or license out. And I created these products to cover a number of areas.

The products I have the first one is an introductory product it's called Licensing Creating a Cash Flow Machine. But if they'd like to really find out a complete overview on how licensing works, how you can create these opportunities, how they can generate revenues it takes you through the process on an introductory level. It explains to you in much more detail the difference sectors how licensing works, licensee, licensor definitions, what some of the contract terms are, how you operate with deal minnows, it

gives you a real nice introduction to what the whole process is about along with some resources that listeners can go to in terms of finding more information. Specific places you can tap into to find information either about specific licenses or if they want to get more information from various industry trade associations I've included that information as well.

The second product that I have is Licensing Mastery from idea to income producing asset. Now this is an advanced course that's four hours that basically is going from A to Z in which I take people through the entire process very detailed. Okay so for listeners who say "Okay I want to learn this process I want to be able to manage it and execute it myself" this is the course for them. I take you through everything from creating that intellectual property or identifying that intellectual property. How do you find it? How do you approach it? How do you negotiate it? What type of terms? What are the negotiating techniques? What you should offer? I go through the contracts. I go through the contract process. The deal memos, the licensing agreements, there's merchandise agreements, there's copyright agreements, there's patent agreements, the non disclosures. This is a course both for licensing and licensing out. I take people through the process of identifying the licenses, going to tradeshow an excellent resource for finding licensing. How do you walk a tradeshow? How do you present your product at tradeshow?

So with Licensing Mastery I'm really giving people the inside details the inside strategies for licensing. It's interesting we had talked about some of those inside strategies here in some of the stories that I had shared with you and what I have done is I have taken those specific strategies because there's many, many more and I have those inside secrets, if you will. These are what are contained inside these audio programs. So when you acquire Licensing Mastery what you truly will become as a master in licensing I am giving you the specific strategy all the secrets that I have learned all the years of licensing. This is information that you're not going to find it anywhere else. It's interesting I've spent many hours in a

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professional recording studio to put these products together.

And the reason I did is because it is such a tremendous opportunity. This is a tool for all small businesses, entrepreneurs, even mid-sized businesses that are looking to expand. Licensing is a powerful tool and there are many, many ways you can use it. And so what I've created here are giving people, not only the tools and techniques, but the inside secrets. How do you negotiate these deals? What are the right negotiating tips? What are some of the secrets that are used to get the best deals? I mentioned that in some of the clients that I talked about how I acquired all these licenses for very low cost for \$35,000 for little or no cost. This is the information that I have put inside these products so that listeners who purchase these products are going to be able to go out and apply these techniques and get these deals. These products that I put together are designed so that anybody who listens to these courses goes through the workbooks understands the materials are able to go out, use these techniques, use these secrets and successfully license in or license out. And so as I said, the Licensing Mastery is a four hour A to Z program. That is really the program if your listeners want to know how do I do this, what are the secrets, how do I execute, how do I implement, how do I get these licensing, what are the opportunities, Licensing Mastery is going to give them those tools.

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Now those two products really give you the nuts and bolts and secrets of going out and doing the licensing, but beyond that there's other opportunities and we talked about some of those. So I created a number of other products for entrepreneurs and small business owners who really want to know about the application of licensing among those products are University IP. Now many people don't know or unfamiliar with the fact that there's billions and billions and billions of dollars of intellectual property, and I'm talking about from consumer products to nanotechnologies to biotechnologies that are created every

year at universities. And they just sit there waiting for your listeners to simply pick up the phone and call any major university around the country and say "I'm interested in licensing" and they will get a list of all this great intellectual property. And by the way, most of this can be licensed for little or nothing down. Not only can you license it for nothing down they will give you interns to work on it. They will give you in some cases office space they will introduce you to capital sources to help you commercialize it.

And you say to me "Rand, now why would they do this" because they've created all this intellectual property, they're looking for the recognition, they're looking for the research, and they're looking because these are the kind of things that attract more students to these universities. And they are an unbelievable opportunity for small businesses and startups to acquire some of the biggest technologies. I created University IP it is loaded with secrets. Many people don't realize that Google, Netscape, Wisecoat, Sun, there's many, many other brands that started as University IPs. And many people don't realize that that's where they were created from and there's such support there. And again for many businesses you can acquire for little or no money down and you're able to get into the market. And these universities will become a tremendous partner, much like we were talking about the studios becoming a partner for you when we shared the stories well it's the same thing with the universities. Can you imagine some of these very large universities from MIT to Stanford? These multimillion dollar companies were all founded on University IP.

Michael: Even Google like license something from a university?

Rand: It was started by university students. It was created off of university IP, intellectual property that was created university. Universities are not in the business of commercializing intellectual property, they're in the business of creating it. And for any small business or entrepreneur if you are looking for an unbelievable source of intellectual property you've got to get University IP the Billion Dollar Startup Secret that's the audio program. In their I've got an audio program along with a workbook. I

list universities you can call right now today. I take you through the entire licensing process. Who do you call? What office to ask for? What the terms are? You can structure deals with universities where you can get an option to license.

Michael: Got it. Okay. How about the Business Process Licensing 90 Day Cash Flow?

Rand: That's Business Process Licensing the 90 Day Cash Flow Creator this is a new product that I just created. It's interesting, intellectual property has really evolved and changes especially in the area of the internet technology. And many people do not realize today that your business processes, your marketing systems are intellectual property. They're known as trade secrets these could be sells systems, marketing systems, real estate, investment systems, coaching systems, life coaches, business coaches, these are all systems and processes that have been created and used by small businesses, entrepreneurs for many, many years, but these are proprietary systems that they've created.

Michael: And you can patent them and secure them and...

Rand: Well in some cases they can be patented but in most cases there's an aspect of intellectual property known as trade secret and what those are it's a form of intellectual property but it's not registered or publicized, if you will, through the registration of copyright or patent. Instead what it's done is it's licensed out and it retains its confidentiality through a license agreement between the licensee and the licensor.

Michael: It's like Coca Cola formula.

Rand: That's what it is formulas for beverages, perfumes, recipes all of those are known as trade secrets. They are not registered as patents if you did everybody would know what it is.

Michael: But they're protected in the agreements.

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Rand: They're protected in the agreements. And so business process licensing is a tremendous opportunity for many, many businesses out there that if they are looking for a way to expand their markets, if they're looking for a way to create the distribution, if they want to replicate themselves. There's many cases where you might have a company that has developed a unique sales system for selling to businesses, selling to consumers that would be of value and interest to many other companies out there that are looking for ways to better their sells. There are many business coaches out there that have developed systems to help improve business performance that could be licensed to other business coaches or business planners or life coaches. There's many marketing systems out there that could be of benefit to many other business planners or other marketing companies that are looking for new systems that they can share with their customers and through business process licensing you're able to do this.

Michael: And you go through all of that.

Rand: And I take you through what business process licensing is and how you do it and how quickly you can create your cash. You can literally create cash flow in 90 days that's how fast it can move.

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Michael: Alright how about Niche Licensing?

Rand: Now Niche Licensing is an audio program that I put together that looks at and talks about, I should say doesn't look at, but what we get into is the fact of an application of a licensing. Okay we've talked about Licensing Mastery, Introduction to Licensing. Niche Licensing is an audio program in which I've identified nine different markets, nine different industries that you can license those licensing opportunities inside. They include pets, publishing, entertainment, trademarks and brands, supports, interactive, those are just some of the markets. And what I do is each one of these half hour audio presentations talks about what the market is, what the

opportunities are, how you identify the opportunities, what you can license, how you can license it and how you can leverage up on these opportunities. And the reason it's called Niche Licensing is because these markets are developing very quickly and there's many, many niche opportunities.

Niche market used to be considered very small. Well today's niche market could be a billion dollar market and for many businesses they overlook the fact that the marketplace is niching out, it's becoming a series of niche markets. And one of the interesting opportunities or great opportunities that exist for business entrepreneurs today is you could be licensing into multiple markets. You could be acquiring a license into these different markets it depends on your products. You may have t-shirts or hats or shorts, whatever the case is, you could be looking at these individual markets. And for anybody that's interesting in saying "Geez, how can I expand into new markets?" That's what this is designed for. You want to get into the pet market did you know you could use artwork to license artwork? What about publishing books? There's a huge market out there online and interactive. These are all very large markets and you can take advantage of these in understanding what the opportunities to present literally multimillion dollar opportunities for companies. So for listeners who are interested and want to get more information about these audio products visit <http://www.randbrenner.com>. There you will find all the audio products with more information about what's contained in each product.

Let me just close with one more. I know a lot of your listeners have heard a lot of information today and probably have a lot of questions. For those that do have questions and have something specific that they would like to get answered then I want to give them an opportunity to get those questions answered. And you can do so there's a Web site that you can visit it's called [www.askrandbrenner.com](http://www.askrandbrenner.com). Now if you go onto that Web site you'll find a picture of me and a greeting and in there you're going to be able to ask your question and I will respond to those questions at a later program with you

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Michael as we review those questions and answer people's specific questions about licensing.

Michael: You got it that will be great. Thank you very much for your time.

Rand: Okay.

Michael: Alright Rand have a good one and I'll talk to you later.

Rand: Okay thanks. Bye.

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## **Licensing Expert Rand Brenner Answers The Most Important 105 Questions About The Subject Of Licensing Intellectual Property**

1. How much competition is there for licensing products?
2. Is there still room for the little guy to license well-known properties?
3. How can I avoid expensive legal pitfalls?
4. Where are the best places to source intellectual property that most people never consider?
5. Can you shed some light on different types of licensing?
6. Can you license territories or state by state?
7. How do I make an idea marketable for licensing and actually get paid for it?
8. How do I prove marketability if I don't have the license to a product?
9. How can a small company approach big companies and get a deal?
10. Can you land an IP deal without putting money down?
11. What are some websites that list different IP available?
12. Do universities list IP available online?
13. Do you need money upfront to license university IP?
14. What categories are the hottest right now for licensing deals?
15. What are some criteria to determine the potential of a licensing deal?
16. How do you approach someone to license a product?
17. What are some risks involved in intellectual property licensing?

18. Are there IP opportunities from all these bankruptcies that are going on that one could take advantage of?
19. Are there IP deals available on a smaller level you can get in on?
20. How does the state place a value on a intellectual property in a bankruptcy situation?
21. Where are the highest leverage points with intellectual property and licensing?
22. Do I need a lawyers to do licensing?
23. How do I decide if I should sell my intellectual property out right versus just licensing it?
24. If I don't have any intellectual property to license, is there still an opportunity for me to make money in licensing other people's intellectual property?
25. Right now at this point with the recession still looming, what kind of products are best to get licenses for?
26. How do you find the right person to talk with at any given company to get your licensing deal negotiated?
27. Can you trademark a nickname to create a product around, sort of like Gene Simmons did with the rock group KISS?
28. I want to sell my designs to a licensing distributor. For example, someone who sells products to Target or Wal-Mart. Where do I begin?
29. Is it important to have connections in the media or entertainment industry that do licensing, or can someone do this starting from scratch?
30. Without any connections whatsoever, is it doable by telephone or is the personal meeting required to close the deal? I ask because I live in Asia.
31. What unique approaches have you used to talk to authors about licensing their products?

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32. Can show me how to make money licensing intellectual property of almost any kind?

33. How does licensing increase the overall value of a business and make it attractive to potential investors?

34. How protected are you if you sell your IP to a large corporation?

35. When you said you may sell intellectual property to a large company and they may sit on it. Is that some kind of strategy on their part to maybe gain some kind of upper hand, or is it just that they sometimes or slow moving and never do anything with the property that you sell them?

36. Let's say you're doing the research say with universities, and you find something that is a direct competitor and a threat to a large company. You acquire the license and then go to the competitor and ask them if they want to license it knowing that it's a competitive technology or intellectual property. Might the competitor buy from you anyway?

37. How can someone license the rights to lyrics of a song?

38. Would it be necessary or advisable to form a separate corporation or an LLC in order to promote and sell intellectual property licenses?

39. How do you set up territories when you license a product to someone?

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40. Are there recognized certifications, due diligence other than ask around or ratings to identify a top IP attorney to work with, and should they practice in state you do business in?

41. What is the process of protecting my intellectual property?

42. Can you license a procedure or a process to create or manufacture an item or service?

43. If you could suggest one single licensing method to use if someone wanted to create a large income stream and simultaneously

create viral marketing for their digital product, what method would you choose?

44. How much equity is intellectual property in a biotech or high tech company worth to the investor?

45. What specific steps can I take to find someone to negotiate deals on my behalf?

46. What one skill would you identify as attributing to most of your success as the licensing guy?

47. What are the three most important questions to consider when purchasing a license?

48. Does intellectual property include software?

49. How do I set up a system to control the royalties?

50. How would I know if an agreement I'm offering is a fair one that is industry standard and not unduly slanted to the other party's benefit?

51. My concern in working with and licensing intellectual property, especially from smaller unknown companies has to do with a best process for identifying and determining who actually owns the property. Is there a way short of spending thousands on legal fees to know that this person really owns the intellectual property?

52. So many brick and mortar businesses are clueless when it comes to marketing their businesses online. I know there has to be an opportunity for licensing with them, but I'm stumped as to what and how, where to begin.

53. What steps should a software designer take to protect their intellectual property?

54. How do you overcome a prospect's reluctance to license something they believe that they can create for themselves?

55. How long does it take to obtain a license?

56. What are some things that are not possible to license?

57. Is there a secret insider source for finding expired licensing IP?

58. What would be a good example of a relatively simple licensing scenario that the average Joe could arrange in just about any local, small town economy to get into profit as quickly as possible.

59. There is a restaurant here that is just kicking butt called Phil's Barbeque. It started in a tiny little house, and they just opened up their second restaurant. The line out the door, two hours, and I don't think they have a barbeque sauce that's distributed locally here in San Diego, but let's say I negotiated a licensing deal to market their barbeque sauce. What are you going to tell me as my licensing coach, what am I looking for? Am I looking for exclusivity for a certain time period where no one else can market the barbeque sauce?

60. Before I discuss it with them, would I do a non-disclosure agreement so they don't steal my idea and just market their own barbeque sauce?

61. Is it best to talk money before the terms of an ID deal?

62. What do you sign with them if you're in an option and that's a "see what's going to happen"? What do you sign with them to lock in that nothing done at five percent? What kind of agreement?

63. Let's say I acquire a license to an IP. My contract gives me the ability to sell the license. Is it important to think about selling out with a licensing deal when someone negotiates one? Let's say you build it, and you want to get out from under the license.

64. Where can I get sample agreements for licensing IP?

65. How do you handle highly regarded and trusted people who privately show themselves as untrustworthy and unreliable well into the deal?

66. What effect will globalization and cross border issues have upon the effectiveness of your licensing program?

67. Is simply publishing my work online in print enough to protect my property? What other steps really need to be taken?

68. Can you give some examples of how a regular person can profit from intellectual property licensing?

69. What are the pros and cons to an exclusive versus a non-exclusive agreement, and are there any basic rules for when you should choose one over the other?
70. How can the owner of the intellectual property audit all those transactions to be assured he or she is getting the proper credit and percent on each sale.
71. What steps would a small book publisher take to license its children's animal or fantasy or super hero character?
72. I write response driven copy, and I'd like to participate in a success of licensing campaigns I create for clients. In short, I write all the different copy pieces and clients license that copy, if successful, to similar businesses around the country. So, what type of businesses would most benefit from the copy I create that can be licensed out – successful real estate brokers, insurance agent, auto dealers? What niches are hungry for good sales copy?
73. How can I use mobile phones as a new source of customers for IP licensing in general or to make money with existing ones – selling, training, and products. Where do you see the trend in this area?

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74. As a small business marketing consultant, how can I leverage my intellectual property in order to create a consistent stream of passive income? I am a marketing consultant.
75. How could I bring licensing to bear as far as my e-book series is concerned?
76. If I wanted to license a sales letter or a marketing piece, how can I find out the specific results the marketing piece is doing, and how would I be able to find out the creator of the marketing piece?
77. What are some ways that a person who wants to get into licensing but doesn't feel like doing the due diligence get through that hurdle?
78. I'd like to train ex-Weight Watcher leaders how to have their own diet coaching business. What kind of trouble would I run into with this? I think they may mean because they were ex-Weight Watchers they didn't want to get any flack from Weight Watchers.

79. I have a software program I've developed, and I want to make sure it's protected. How do I do this in the shortest amount of time and the least cost?

80. How do I shorten the timeline to getting an offer and creating time urgency to close a licensing deal?

81. I do a joint venture concerning my SME. Would it be prudent to use franchise or trademark license and copyright license agreements to protect myself from infringements?

82. Let's say you have a business opportunity idea that you create an information product and you're selling that or you want to license it to other people. It's still in essence a business opportunity, but how do we get in the legal area where it's a license and not a franchise?

83. I have a product and I'm thinking of licensing it to a group of schools. I've created it, but I want to make money licensing it to them. How do I go about it?

84. I'm a writer, product developer, and I have lots of product concepts, but I live in Nigeria. I have no clue how I can get these ideas licensed in the US, Britain and other countries successfully while still living in my country. How can I do this?

85. Can one from Nigeria create a corporation in the United States?

86. I'm writing a book relating to law and professional standards for a very specific aspect of law. There is a gap in the market here. Is there an IP issue here? It's not a specific product that I own, as such, but an approach to a particular subject area. I don't obviously know much about IP, but would appreciate any pointers.

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87. I have a methodology on how to use an outdoor experience to build character and develop leadership. What are some of the steps that I need to take that and convert it into a profit center?

88. We're contemplating licensing using our name, logo and marketing methods. We have a unique business method providing a professional service in a coffee house. Any ideas?

89. How do I use the celebrity image or celebrity name on my product and pay them a licensing fee for that?

90. I have legal ownership of a trademark that I think a bigger named company could leverage, but which has zero public recognition. How can I best license my trademark to them for a profit? Is licensing it to them a good prelude to selling them the trademark?

91. My family and I created our own playing card game. We printed up our own design and laminated the cards. Everyone who plays absolutely loves it. How would I license this product to a major company like Mattel? They're the ones who do the game Uno.

92. I'm in negotiations with a company to license my product. They supply the agreement, but there's nothing in there about a royalty advance. I don't think it's an oversight. They didn't want to pay a lawyer to draft up a fancy agreement. I have a lawyer and he's going to ask for a signing fee and an advance on royalties. I don't want to blow this deal. What do I do?

93. How can I get protection for an anti-aging herbal remedy?

94. What is the best way to approach a state CPA association about licensing a book for small businesses on marketing and advertising?

95. I have an idea for an invention. I have a prototype made. The product works very well. I want to patent it, but I don't want to manufacture or market it. I'm not sure who to trust or what is the best way to sell my idea without giving it away.

96. Are provisional patents pretty inexpensive?

97. Having recently filed my patent, is it necessary that I have my prospective licensee sign a non-disclosure agreement?

98. I've created the best short pocket billiard in billiard sports ever, perfect for TV. I think I need an agent or negotiator or someone such as that to navigate the next steps, unless I can do it via a website. How could I find such an agent or negotiator because it's easy to steal?

99. Chicago wants to be the nation's greenest city. How would you recommend working towards that goal by putting together technology licensing deals? It seems like a worthy niche to go after.



100. How does licensing work for digital goods? What if I have an idea to make an existing product better for instance? What are the next steps?

101. Rand, what is your best strategy for being a little guy with a great idea and who has gotten off his butt and done at least something about it to show it's interesting at least, to hold on those valuable rights up front when a bigger player comes sniffing around you and your cool project?

102. I represent a company and am a shareholder which owns the patent on a pollution cleaning solution containing a high content of acids which has been proven to allow the remediation of just about any property. I would very much like to talk to you about licensing this technology. How could we get in touch with you?

103. Do you handle syndication for clients or just licensing? A friend of mine has a talk radio show that he'd like to syndicate, and I want to refer him to you if you could help him.

104. You mention you're working on a very detailed event on how to do this. Could you give the details of this event?

105. Who is licensing IP not for? Who is it for?

Michael: Hi, Rand, how much competition is there for licensing products? Are the big players in the industry locking up all rights across all product categories, or is there still room for the little guy to license well-known properties? Also, can you briefly discuss if upfront fees are usually required? If so, any ballpark figures.

Rand: Let's start with the first one, competition for licensed product. The answer is there's always competition, and in licensing because of the breadth and depth of the different types of properties that are out there – you have entertainment based, you have brands, you have art, you have video game based technology. You've got a variety of licensed products out there. There's quite a bit of competition out there.

One of the keys for licensing any product especially if it's a consumer product is getting to retail. That's probably where there is more of a competitive issue with finding shelf space

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or distribution outlets for licensing products, but with that said, the good news is there is demand for licensed products.

That leads us nicely to the second part of the question about the big players locking up the rights across all product categories. Let me comment on this in a couple of phases. You really have to look at the type of licenses in terms of the categories.

If you want to talk about entertainment, some of these big movie properties, yes, you've got all the major companies in there – the toys and the apparel companies and things like that, and they have obviously an opportunity to lock up all those rights, but let me comment on this and say while they do get rights to a broad spectrum of products within the product categories, they can't take everything because these companies can't produce everything.

It's an interesting question when I was in the studio side. We used to put together big deals with the major toy manufacturers and as large as they were, they did not control the toy category. They got a significant amount of toys, but there was still plenty of room for a lot of the second and third tier companies, even entrepreneurs who were able to come in with either proprietary products or special niches.

One thing to understand about licensing is if you've got a proprietary product, let's say you're an inventor or your company has a product that you have acquired through an inventor or something. If it's proprietary, that is an opportunity, if it's a consumer product, to look at going after rights for some of these significant entertainment brands or retail brands or consumer brands out there.

So, although the big players do have an opportunity to lock up significant rights, they don't get them all, and there is an opportunity for even the small guy to get in there.

I think that kind of leads into the third part of the question, is there room for the small guy to license the well-known properties? The answer is yes. Both the retailers and especially the licensors are always looking for new innovative products.

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So, if you are a small buy and you have a new innovative product, absolutely, I encourage you. Pick up the phone. Give them a call. Look to acquire that license because that's what they're looking for.

As far as upfront fees, it's an interesting question. The fees just run such a scale that there is no one set fee that you can be looking at. Now, one of the things that I coach my clients on, I say, "Look, licensing is about a partnership, and what you really want to do is open the door."

If you initially go into these deals, and you want all of these product categories upfront, it could be a very expensive license, but if you go in with an understanding of saying, "Look, if we can open the door, go in with our one or two key items, and basically just take a small bite," you can get in at a very low figure. I mean, deals that have been put together, these license deals whether it's for entertainment property, TV property, a consumer brand, a retail brand, maybe artwork can run you anywhere from nothing down to literally hundreds of thousands of dollars in terms of upfront fees.

The trick is how you're making your presentation and what you're going after. I've done many deals for clients at the studio level, where we've gotten these deals put together for as little as \$2,500 and \$5,000 down.

I have other deals that I've put together with some of the major sports licensing franchises that are six figure deals. So, it all depends, but keep in mind, too when you do licensing depending on the organizations you're dealing with, the larger more sophisticated organizations, the bigger studios, sports franchises, things like that, they may have set fees in place in which case there isn't much that you're going to be able to work around because they have certain minimums they require across the board regardless of the company.

In other cases, there are opportunities that you can go into and you can find these licenses and acquire these licenses for little or in some cases nothing down. So, I haven't given you a lot of numbers on this only because it's hard to pinpoint something like that.

Michael: Rand, how can I get a fast start in the international licensing business and avoid legal pitfalls at the same time without paying an arm and a leg for expensive lawyers or having to find them first?

Rand: Well, depending on what you want to do in licensing – I mean, licensing is international. Just by its very nature, intellectual property is international. Now, if you're looking to start-up internationally outside the United States, the fastest way and some of the biggest opportunity for licensing international are basically reaching out whether you want to go consumer products, entertainment, and in some cases you know if you're looking to take a US property outside the United States, you have an opportunity there, but obviously, you have to have an infrastructure in place.

If you want a face start international, and here this question is really defined by whether you want to operate internationally or in the US. You start with a small license. You have a single product for example. Maybe you have a product, maybe you know of a product, maybe you can partner. Find an inventor.

One of the fastest ways to get into licensing, whether it's international or domestic is if you can partner with an inventor who has got a very cool consumer product, I'm picking on inventors here because many times they're very good at creating these new inventions, new products, but they don't have the business savvy. So, as you listen to this, if you are an entrepreneur, business owners, you've got the business skills, the marketing savvy, partner up with them.

If you can acquire their proprietary or work out either a license agreement or a partnership with them, and you have something proprietary that you've got, you're in a position to go out and acquire a license around it.

For instance, I had a toy company that came to the United States. They were looking for a quick way – how can we quickly ramp up and get into the United States market? The fastest way they could do it, and I talked to them about it is instead of establishing your own brand, why don't you go and license some major kids' brands that have been out there for ten or fifteen years?

By that, I mean that we went and we took their products and instead of them spending the money to promote it and distribute it and run all the advertising, we went out and acquired some of the big kids' brands like Wiggles and Thomas the Tank, and we wrapped those around the product. That immediately gave the company access into retail distribution, customer recognition, meeting with buyers, and ultimately sales.

The difference is instead of spending two to three years trying to establish themselves in the United States, in less than eighteen months, we've acquired the licenses, been in meetings with retail and have products at retail being sold in less than eighteen months at a fraction of the cost.

That's the fastest way that you can start in a licensing business, whether it's international or domestic. By the way, many times you can go look for international rights to biog US properties because they're sometimes easier to get because of the nature of the international market being smaller. So, that's another way that you can get it.

As far as the legal pitfalls go, really what you're talking about is when you're acquiring licenses, you're talking about a legal contract. So, the legal pitfalls you really get into is not understanding what you sign.

My suggestion is always you can get the contract. You don't necessarily have to have attorneys right there at the time of the negotiations. You can negotiate yourself, and you don't necessarily need an attorney to negotiate. You can use an agent such as myself, but at the end of the day, I always recommend that if you do get a contract, it's always best to pay for the services of a good IP attorney just to read through it and make sure you understand everything that's in there before you sign off.

By the way, I should mention too as we talk about this question in particular, but a number of the others, we had a great interview that we had done Michael that we had talked about specific case studies where I share with you different stories of actual manufacturers and inventors who I had worked with in putting license deals together. This is a great

piece for any of your listeners out there. They really should go back and listen to those case studies because they're very informative but also there's nothing like a case study to really give you specifics about what these companies did and how they performed and how they're able to go out and acquire these licensing rights and what the results were.

Michael: Rand, where are some of the best places to source intellectual property that may be under exploited or under the radar that most people never really consider?

Rand: Great question. Licensing is all about trends, what's happening out there, and what I always recommend to anybody looking to licensing is to use the internet. The internet is a great tool. You can source what is going on out there, and if you're looking for licensing, look for trends. There's a couple of great websites you can go to, TrendHunter.com, SpringWise.com, those are two great sources, and they're trend sites. They're trends in business, trends in social, trends in media.

Start searching through those, see what's going on. That's one way you can do it. You can use searches on Google where you can find out what terms are being searched on a weekly or monthly basis. That's also another good tool to use is find out what people are looking for, what are the big search terms.

It's all about trends. Many times there's licensing opportunities that nobody's heard of, and then suddenly they come out of nowhere and people say, "Where did these come from," and what it has is it's been a trend that's building.

This holds true for entertainment. This holds true for finding properties that are just being launched on television, early stage movies, perhaps new entertainment properties that are coming up through the internet. Video games, great source to find new upcoming properties, and a lot of these could be niched.

By the way, you don't always have to find the big home run. There's a lot of great niche properties out there, but keep in mind, if you can latch onto them early through doing a search on the internet, a great way, and also too, keep in mind when

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we talk about underexploiting, this is a good question. A lot of times, you can look at some of these major brands, and you may have an idea for a category that they're not in. That's also another way to look at underexploited.

Just because a brand is very prominent out there doesn't mean that they captured or have been involved in every category that's out there. This is important to keep in mind. If you have an idea, and if you think that you know of something, like I always say, pick up the phone, talk to them about licensing, ask about license because you never know until you ask.

Sometimes, it's interesting. You can find a game, a TV show, a property, and you call up and you ask them, "Would you be interested in licensing?" If the response is, "Well, I never thought about that. I don't understand," right there you've got an opportunity.

Now, if the question is from them they want to understand about it, then you have an opportunity to make a proposal, a presentation, contact somebody such as myself and say, "Look, I've got an opportunity here, and I need somebody to go in and make a presentation."

These are all good signs, so you make a good point Michael. The fact that if an inventor or an organization or an entertainment project doesn't understand licensing, and you've asked the question, that's indicative of a possibility of a really great licensing opportunity.

Michael: Can you shed some light on like all the different types of licensing? With some of my students, let's say someone wants to create an information product, and they want to market online. I say, "Well, go look in the classified ads and see who is selling stuff through direct mail because many of these people may not be online, and you can negotiate just an exclusive online license," or they may be an inventor with a product or some idea that's international selling very good, but they may not be in the United States, and you can negotiate just a US only license. Can't you license territories, whatever you can imagine?

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It could be state by state. It could be three states. It could be international. It could be anything that's not competing with the existing marketing of what they're doing right there.

Rand: That's a really great point, and especially with information products. It's interesting because I'm working on a business process licensing workshop, and it's about this very issue. Many service based businesses today are information based businesses, and they don't realize that they have intellectual property that can be licensed into different channels, different markets, different customer bases, and if you are looking to find an information based product, your suggestion about looking in the classified ads to find out where they're marketing. This is an excellent suggestion.

It's a great way to do research especially for information or knowledge based businesses that are delivering this information because they do have certain distribution channels, and you're absolutely right. Licensing is very flexible. You can license by distribution channel, regional territory, geographic territory, per capita basis, international, domestic, literally down to the zip codes if you wanted to if that was appropriate.

These all present opportunities because there's a product that may be out there that's very well known let's say in the publishing world, let's say through the book channels. That doesn't mean that it precludes any other opportunities. You may be able to look at it and say, "Well, gee, how about online? How about direct response?"

There's many times when these owners of this information or these business processes, marketing systems, they're very good at one channel of distribution, but there's many other ways that could be used to deliver or leverage that content, and if you identify that, by all means, pick up the phone, say, "Hi, I see your product. I'm interested in licensing it. Have you thought about XYZ channel?" Right there, you may have an open door to a licensing opportunity.

Michael: Okay, great. How do I make an idea marketable for licensing and actually get paid on it?



Rand: That's a great question. One of the first things to understand about ideas to make it marketable for licensing, obviously it has to move from an idea to become an intellectual asset known as intellectual property, a trademark, copyright or patent.

By the way, I mentioned know-how. There's know-how, trade secrets, confidential information. That's all intellectual property. Some of it is registered such as patents, trademarks and copyrights. Others of it is what's called non-registered intellectual property – know-how, trade secrets, business processes, business systems, marketing systems. Those are non-registered, but they're still intellectual property.

I had been talking about the fact that you had both registered and non-registered entertainment intellectual property. Now, the key here is you have to move it from that concept, that idea, and you have to create value for it. That's usually done by delivering it to the market in some form, test markets, limited sales, delivering and using the information, whatever the case is that you're creating a market for, you're proving value for, you're proving that a customer wants to use it, a business wants to use it, that people will buy and pay for it, and you're demonstrating that it does have value, that it sells for the price and that companies get results and there's demand for it.

Essentially, what you're doing is you're proving demand for it. Once you do that, you've produced what's called the marketability, and once you get to the point of marketability, now you're ready to start licensing because the key in licensing here is the more marketable that you can develop your intellectual property and the better and stronger opportunities you're going to have for licensing. That's when you're going to get paid.

Michael: Let me just regress a little bit. Okay, so let's say someone's listening to it, and they're saying, "Well, how do I prove marketability if I don't have the license to it." So, give me like an example of something, a product or an IP that I can prove marketability, then go and approach for the license. How would that work?

Rand: Well, depending on what you want to do, let's say you own the intellectual property. Let's say you've created the new product or the information.

Michael: I own it already.

Rand: You own it already, and let's say you've got a new product that you've invented. You're ready to go out. So, what you have to do basically is you have to invest the time and money to create and build the product to take it to market. By that, I mean it has to establish itself there and prove that somebody's going to buy it and pay for it.

Now, you don't have to do this in a large scale at all. You can do it online for example.

Michael: This is without any license.

Rand: This is where you own the IP, and you're building what's called marketability for it. You're creating a market for your intellectual property, and that then in turn gives you an opportunity to license it.

Now, on the other side of the coin, let's say you are looking to license something. You are looking to license, and you find an inventor, you find an information product. The marketability then is an interesting opportunity for you because you can use the marketability in your negotiations.

So, let's say for example, I approach you, Michael and say, "You know I really like the information products you've been doing. Have you thought about the direct response channel into Hispanic homes?" You say, "No, I've never done that."

I say, "Well, I'll you what. I'd be interested in doing a licensing deal, but what I'd like to do is structure this licensing deal in kind of a two or three stage process where the first stage is if you give me the rights to do a test market to find out in fact this is marketable."

"If it is, from there I'll have an option with you to take this into a licensing agreement that gives me the exclusive rights into the Hispanic market for your product."

Michael: Okay, that's nice. So, you tie it up kind of like option to buy.

Rand: You can actually do an option to license, and this is a strategy I was telling you about, and that's from the marketing. That's if you're looking to prove the marketability of something that's already out there into another channel or market or customer base that you think you can actually write your agreement as an option to license.

Michael: Without any money down?

Rand: With no money down because you're saying, "Look, it's going to be my time and energy and money to go out and see if this is marketable. If it is, then I'm going to be able to convert this option over into an exclusive license based on XYZ terms.

Michael: Do the big boys do that?

Rand: All the time.

Michael: There's probably no standard time line to the option, or is there?

Rand: Well, there could be. I mean obviously, to get an option on a license is very interesting strategy that we're touching on. There could be. It's generally tied to some kind of performance event, and something is going to be done at some point. Perhaps it's something that says, "Okay, you have twelve or twenty-four months to prove out this, that your option will automatically expire if not exercised by X date," and so that's one way it's going.

Or, perhaps it's tied strictly to a test market that has to be deliver X amount of money. So, as opposed to a time line, perhaps this says that if they can prove out and deliver at least \$500 or \$1,000 or a million dollars in sales, then it will convert to a longer term license agreement.

Michael: Now, you go into this in detail in some of your products, right?

Rand: Oh, yes, I do. Licensing Mastery in particular, I get into a lot of the details of how these license agreements work, how they're actually put together, how you construct it, how you

identify it. A lot of the topics that we're covering here, these questions which are excellent questions, you can also through the Licensing Mastery actually learn the nuts and bolts, the application of what is done in licensing beyond just what we talk about here in this specific context of the question, but also how you carry it through into the actual license, how you execute it into the market, how you create this value that we've been talking about.

The nice thing about licensing is when we talk about licensing, for any listener out there, understand that it's what I call a two-way street. You can either license in, meaning that you have a company, or you have an idea for a way to market a product and you can acquire the rights, or you can be that intellectual property owner and license out.

Then, there's another strategy that I talk about in Licensing Mastery where you can actually acquire the rights, and then turn around and license them out under a sub-licensing deal, which is another strategy that you have. So, you really see a lot of flexibility with what you can do with licensing.

Michael: How can a small company approach these big companies and get a deal? It seems like we've got a lot of questions from small guys who think the big guys are too big to do business with.

Rand: That's a good question. You're never too small to do business with big guys, if you know how to approach them correctly. The one thing that you don't want to do even if you're a raw start-up, you don't want to approach them as a start-up.

Where I see more companies fall down is they go in with what I call the start-up mentality. Here I am as a start-up, and I want this license. You've got to keep in mind, the fastest way to build a start-up is through licensing. Many people don't realize this. You can be a raw start-up, but the moment you acquire a license, an intellectual property, you've got an asset on your balance sheet that can be valued depending on the nature of that brand or that invention, but you've got an asset on the balance sheet.

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You can literally take your start-up from zero to be worth several hundreds or millions of dollars by acquiring intellectual property because it becomes an asset.

Michael: Hey, what about even if you've landed an option, and you haven't put any money down?

Rand: Well, if you have an option, you still create a quick value for a start-up.

Michael: Could you put that on the balance sheet?

Rand: Well, not really because the option isn't a license agreement. You haven't locked up a contract rights to intellectual property, but nonetheless, it does create more value because you have an option on it.

This is interesting. This is what I talk about in my Licensing Leverage product is this very strategy. This is one of many strategies that small businesses can use, but it's a very effective one for start-ups.

One is to go out and acquire an intellectual property onto your balance sheet. You can do many things with it. You can get value. You can get financing against it. There's companies that will give you advances. There's many strategies you can do.

The other thing I talk about is sources of where you can find intellectual property, and I have another program that I put out called University IP the Billion Dollar Start-Up Secret. If you're a start-up, and you're looking to acquire some intellectual property, universities have billions of dollars of intellectual property just sitting on their books waiting for a start-up to show up and in many cases, you can get it for no money down, and many businesses don't even realize this.

Michael: Are there websites that list the different stuff available, or do the universities list them online?

Rand: Many people don't understand that universities develop these intellectual properties as a result of their undergraduate and graduate programs. Also, too, many people don't realize in this country, and I brought this up in my newsletter. A lot of

people have asked, "We're in challenging economic times. What happened to all the stimulus money that supposedly went out there?"

Many people don't realize that billions of dollars in that stimulus money went into the universities around the country. They went out and they brought that money under research grants and a number of other programs that went into these graduate and undergraduate programs, and they did it for a number of reasons primarily to keep their own revenue base. But what the end result of that is, is they're continuing to develop these enormous banks of intellectual property.

Understand that universities don't commercialize intellectual property. They develop it. They patent it. They trademark it. They copyright it. They prove it out, but they don't commercialize it. What happens is it sits in their intellectual property vault.

Now, some universities, you can literally go on to their website. You can find their technology transfer office, and you can find the listing of intellectual properties, and other universities do not have any representation, and literally you have to call them up and work your way through finding out if they have intellectual property for license, but they're a gold mine.

When created and why created the University IP the Billion Dollar Start-up Secret is so that small businesses, start-ups, entrepreneurs that are looking for a fast way to get intellectual property and build a business can access this university IP that's sitting there. So, I take you through this program. It shows you exactly how to go and acquire a university intellectual property for little or no money down.

Michael: Give me an idea like how and why all this technology and these inventions get produced. You have the students who come there, and this is part of their core curriculum is to work on and develop and do the research part of working their way through school and through doing that, they come up with amazing ideas and inventions.

Rand: That's a lot of it. I mean, many people don't realize when you think about these universities, you've got technology

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universities, engineering, agricultural, chemical. If you think about the diversity of intellectual property that's out there, what happens is these universities through the educational curriculum have their students working on research, and in many of these graduate programs, these are not just theoretical projects that they're working on.

They get approached by many inventors and even corporations, by the way. This is what I talk about in that, too. Many corporations have research projects that are submitted to the universities, and they actually have the graduate students working on that.

Now, it's interesting, and here's another thing that's in the University IP program that I put together, if you have a technology whether it's software, engineering, electronics, whatever it is that is significant enough or large enough, you can actually go to a university with that, and have them develop the R&D on it. It wouldn't cost you anything because you are allowing them to use it as part of the curriculum for the graduate students or undergraduates depending on it.

Now, the drawback if you want to look at the drawback is it takes longer to R&D it, research and develop it than it would if you were to do it yourself simply because it would operate during the time that the students are in class, but I'm based in New York and I had a gal, we worked on actually getting a license from Columbia University.

Just so the listeners understand, what we did is we called up Columbia University, found their technology transfer office and said, "Do you license?" They said, "Yes, what category would you like?" We said, "Okay, consumer products." Two weeks later, we got an email, and in it was a PowerPoint presentation with twelve different consumer product technologies that they had developed, what the product is, who invented it, how it works, and what's available for license.

So, from there, we narrowed it down to one technology, and went into negotiate the rights for that technology.

Michael: Did she get it?

Rand: Ultimately, we did not get the technology because it didn't pan out to what she thought it was going to be, but I will tell you what happened. She had developed a software program for the financial industry, and the long story short, through that introduction to Columbia University, she had stopped development on her own. She had told them about what she had and wound up now doing a deal with the university where they actually have their students working on her software for the financial industry.

It's fairly sophisticated. It's going to take about two to three years, but as a result of making that inquiry, she turned it over, worked out a deal with them, said, "Go ahead, work on it." Then, worked a deal out where she's going to have the rights to license it once the university has completed the development on it.

Michael: Let's say out of those twelve in the PowerPoint, let's say she did see something that she really wanted. What kind of deal, what kind of money upfront are we talking about with the universities? Is that different from big Hollywood?

Rand: Much different. Often times, there's no money upfront.

Michael: So, no money upfront, and what kind of royalties?

Rand: The royalties are pretty standard. Depending on what the technology is, you're looking at five to ten percent on average, and the interesting thing is for many of these universities, a lot of this is targeted towards start-ups. They're looking for start-up companies, and when I say they're looking for start-ups, and again, I talk about this, they have the application process structured that if you are a start-up they tell you, "Okay, here's the information you need to provide us."

Not only are they geared towards start-ups, but they have some amazing resources. Again, this is a fast track. If you want to start a business, go out and license IP from university. Not only can you acquire the IP, they will give you human resources in the form of graduate students or undergraduate students. In some cases, you can actually get excess space that the university has.



They'll give you introductions into the venture capital community, as well as the local community. You say, "Why would they do all this?" Because it benefits the university. The university is not interested in the money per se. What they look for is the recognition and prestige that comes from a commercialized property.

Many people don't realize there's a lot of technologies – Google, Netscape, Lycos, a number of this big what are now known as big large corporations, they all evolved out of university technology.

Michael: That's bragging rights for universities, and then people know about them. It brings more students.

Rand: Absolutely, it does. That's why they have it, but they have so much of this IP available and so few businesses understand – and it's all geared toward the small to mid-size companies, especially start-ups. There's a tremendous amount out there. So, obviously, you have to do your homework, but it's not a difficult process to acquire.

Michael: Once you acquire it for almost nothing, you instantly have that credibility of the university behind you and the technology. It's like instant credibility for no money.

Rand: It's instant credibility plus you'll have a lot of interest from the financial, the funding sources because they know that if you've got a significant technology or product behind it, you've got the university.

You know, it's interesting. You bring up a good point, and this is the other thing I talk about at University IP. People don't realize when you license from a university, while you're on your own, keep in mind, you've got a lot more resources you can tap into because you've got the in some cases, the original vendor who was privy to that. They want to see the success of that. The university wants to see the success for it.

So, you've got a lot of resources that you can tap into, and a lot more in many cases than you can if you were to license a technology from an individual inventor.

Michael: That's powerful. What categories, Rand, are you seeing are the hottest right now for licensing deals? Is there a standard criteria to determine the potential of a licensing deal, and does each agent have his priorities?

Rand: Well, as far as the categories go, I'd say that it's really a question of the market place. If you're looking for the consumer product market place, that's really undergoing a lot of changes, and so what consumers are looking for is value. They're looking for innovation. They're looking for the latest gadgets. You're seeing a tremendous movement in the green and the eco-awareness if you will. That's a big, big marketplace.

Those are some hot categories. Any kind of technology or product that is energy saving is good for the environment. These are all very hot categories.

If you're looking at the entertainment market, again, entertainment property especially for kids that deal with these environmental issues and are very positive. Social responsibility is a big category. Social responsibility is a huge category right now given what's going on in the market place with all the political and economic things that are going on. That's another big licensing category.

There's a lot of up and coming niches that are coming out of video games, online games, virtual worlds are becoming a very interesting play that are out there. Many people may not even be aware though what's going on in the virtual world industry, but that's the next evolution out of social media.

Social media, if you want a hot area, go to social media. Great place to find out if you're looking for trends in licensing, go log on to MySpace, Facebook, find out what people are chatting about. This is where you can get information. Those are just a couple of key areas out there.

By the way, for the listeners that might be thinking, "I don't have experience in what you're talking about, Rand," or "I'm a start-up company, but I don't know anything about electronics or engineering." Here's a tip for them. You don't have to have the experience. If you acquire the license, you can go out and bring on the people that do know how to do it.

That's one thing to keep in mind. What I try to share with people is get out of the box. Understand this, the power of licensing is you have a tool, a tool to acquire an intellectual property. Once you acquire it, it's knowing what to do with it, and the key to knowing what to do with it is you don't have to be the one that necessarily knows how to put it together or construct it or anything. You just know how to go out and find the team, the people to put together around it.

I share the story. Henry Ford never know how to build a car. He just knew how to go out and find the people who knew how to build a car. That's the same thing that exists today with intellectual property. All you have to do is have the insight, the foresight and the understanding that licensing is acquiring intellectual property, and you can attract the talent around you.

Michael: How does one approach or pursue someone to have them license a product? What technique, cold calls?

Rand: Generally, it's not a cold call situation. If you have intellectual property, and you're looking to have a company license it, the best approach is obviously first you've got to do your homework. You've got to develop a licensing plan, find out what companies are in the business or similar business that you're looking to license.

Then, what I always recommend is engaging – whoever your potential licensees are, trade shows are probably one of the best ways to begin the initial process because at a trade show, you're not really in a total cold call type of situation. You can go and you can meet companies either as an exhibitor.

I talk about this in my Licensing Mastery program. One of the things I talk about is trade shows, and trade shows are invaluable tools. I think people really under rate them.

If you're looking to open the door to licensing, I always recommend going to a trade show. You don't necessarily need to be an exhibitor, and I talk about this on both sides, being an exhibitor and attendee, but you can go to trade shows, and if you have something to license, you can open up

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the doors very, very quickly. You can do so, and it's not a cold call. Cold-calling is very difficult to do. There's a lot of companies that get bombarded by cold calls, and it's also more effective than just sending an unsolicited letter.

What you can do is you can literally go and meet the sales people, the distributors, whoever the key people are and you can talk to them. You can find out what the company is interested in, what you're doing, seeing if it's something that's interested.

What they will do then if you're looking for a way to make initial contact, you go to this trade show. You talk to them. Sales people always love to talk, and I talk about this in Licensing Mastery. They'll give you the name of the person who considers or who is responsible for looking at new licenses, and now guess what? You've got a referral into the company.

So, when you come back from that trade show, you can send that initial email, make that call that says, "Hi, I met Mr. Samuels at the trade show. We chatted for a few minutes. I showed him that we've got a new XYZ product or service in your category, and he thought it might be of interest to you, and said you would be the person that I would need to speak with." It's as simple as that.

That's the power of tradeshow is being able to build that relationship. It's part of networking. So, I talk about that in Licensing Mastery is people start to think about licensing, how do they go about doing it and trade shows are one of the most rich resources that you can use that can really accelerate the process.

In this day and age, it's all about time. How quickly can I get this done? If you know how to work a trade show whether it's to fine contacts to license out to, or to find licenses that you want to acquire, I recommend going to a trade show.

Michael: Here's a question. Rand, what are some of the risks involved in making money through intellectual property licensing?

Rand: Good question. There's always risks involved. I think probably the most challenging risk is knowing who you're

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going to partner up with because where you don't want to be is you don't want to be involved in a deal. If you own intellectual property and doing a license deal with a company that you don't know about that that ultimately may go into bankruptcy especially if you're going to work on an exclusive because you have to understand, with intellectual property, if you issue an exclusive license and the company goes bankrupt, you can't get that license back. You can't get those rights back.

Even though you may put a bankruptcy clause in your contract that says, "If you go bankrupt, you lose the license rights," that's not how bankruptcy courts see it. It becomes an asset of the company to satisfy the creditor claims, and you would have to wait until it works through the courts and find out what creditor winds up with an assignment of that license to be able to go and try to negotiate your rights back.

So, first and foremost, I say if you want to look at a risk is know who you're doing business with, and make sure that you put together the right kind of deal.

Some of the other risk that would be involved with licensing, of course, are making sure that your contracts are properly structured so that you don't run into any ambiguities. The other big risk is if there is ever a dispute, it always comes down to the contract.

If you have a contract that is very ambiguous meaning that it's very broad in terms of some of the issues it covers, that can lead to some potential pitfalls when it comes to either clarifying issues before they become a legal situation or if they in fact go into litigation. Now, you have to go through the whole thing of trying to clarify what was meant in the contract.

So, make sure that your legal documents are properly structured to avoid that risk.

Michael: Let me ask you this. You bring up a point about there's been so many bankruptcies especially big companies. Let's say for example Circuit City. Circuit City goes bankrupt. There's a lot of intellectual property there with the name. Are there IP opportunities that are being held by trustees of all these

bankruptcies that are going on that one could take advantage of?

Rand: You just touched on one of the biggest trends that is now occurring. That is a huge opportunity. I call it broken brands, but right now in the consumer products marketplace, there are large investment firms just like you had mentioned that are out there acquiring retail brands that have gone bankrupt or on the verge of going bankrupt. Not only retail brands or manufacturing brands, there's a whole lot of luxury brands.

If you look around, you want to talk about trends. Start reading about following these big companies that are teetering – Blockbuster is ready to go under. Circuit City went broke. Sharper Image, well, what's happened is those brands have a lot of value. Those are decades and decades and decades of advertising and promotion have gone into, so big investment firms are swooping in and they're buying these brands.

They're getting rid of everything else. They're getting rid of the stores. They don't want that. All they want is the brand, and what they're doing is then they're turning around and they're using a licensing model. That licensing model is to license categories, and again, you don't have to be a big player to get involved in this because many times when these investment firms acquire these brands, they are looking for companies that are willing to come in and start building it from a product base.

Again, this goes back to your presentation and I talk about these both in Introduction to Licensing and Licensing Mastery. I talk about, "Okay, how do you develop a presentation to go in and acquire a license?" That's really what it is.

When I work with my clients, again, I mentioned this earlier, don't go in there with a start-up mentality. Go in there with the right kind of presentation, the right kind of tools to demonstrate that you are an organization, you are a company that knows exactly where you're going to go and how you're going to get there and how you can make it happen because that's what they respond to.

So, that's one of the keys. It comes down to this. If you know how to answer the right questions, you can acquire a license, and these bankrupt brands offer a huge opportunity for anybody licensing to start-up established business. These bankrupt brands offer a huge licensing opportunity.

Michael: Are they just stealing them? Are they just getting them so cheap? I mean some of the bigger ones. Do the banks know how to sell them off for some decent money?

Rand: A good question there as well. These big established brands because once your brand is out on the market, it has a lot of money been put behind it. There's third party valuation firms. Sometimes they're CPAs. Sometimes, they're just specialists in valuations where they can go through and actually value those brands. They're fairly complex formulas that they use, and by the way these valuations are done not only for bankrupt brands, but for operating companies. It's called goodwill.

I think I had mentioned this before. It's all the money that you've put in between your promotions, your advertising, all the other stuff that's gone in behind that. So, they're able to measure what potentially the value of this brand name is.

When they get the value, that's where they determine what the acquisition price is going to be. So, the acquisition of some of these brands could be tens of millions or hundreds of millions of dollars.

Michael: Do you know of any examples that just went down, like what we're talking about?

Rand: Well, we talked about Circuit City. We talked about Sharper Image.

Michael: Have those been bought out?

Rand: Those have been bought, and are now being controlled by investment groups. Blockbuster is another one that's ready to go down. Radio Shack has been wobbling. A lot of people are not sure that that one is going to survive much longer. There's a couple of luxury brands.

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Apparel companies, there's a number of apparel companies that have reached some challenging times economically. A couple of major department store retailers have gone down.

Michael: So, the average guy listening to this, that's going to be a little over their head maybe to go with those big national brands, but what about on a local or regional level. Maybe for example pool supply brand that was around San Diego for ten years, and they went under and they had five retail locations. They went bankrupt, and then you've got a trustee handling everything. Is that something on a smaller level you can go in and get?

Rand: Great example. When we talk about these big examples, what you just talked about is an ideal example of how to do it on a local or regional basis. In fact, I'm working on a situation similar to that in the New York area of a restaurant brand that has been a family own business for the last hundred years. It's been around for a hundred years, and they're ready to expand.

They're looking at moving their brand out beyond what they're doing, and that's an example of a company that is taking their established brand name in the New York community and being able to move it out. It's another good question because this is a timely thing that's happening now.

There's a big demand now for localization – local businesses, brands that represent local communities when you talk about the pool brand of a retailer, great opportunity. You can look at that pool brand. They may have been out there. They had the five stores. They spent a considerable sum of money, and they're fairly well known out there.

When people talk about them, and you as an entrepreneur can look at that brand and say, "Well, wait a minute. They were in the pool supply business. Why don't we expand this out? Let's take a look at perhaps licensing their name to do water products or other types of products, and capitalize on that goodwill.

Michael: But, how do you get it? Who do you go to? What do you say? Can you get it for a deal?



Rand: Perhaps it's owned by a trustee and the term trustee for anybody who doesn't know is just the organization, the individual or the company that has controlling rights to it, may ultimately own it, but usually is the third party intermediary.

Michael: So, if it's a bankruptcy, who owns it when the thing goes bankrupt?

Rand: Generally, you would try the estate. If it's still involved in bankruptcy proceedings, you're not going to generally be able to acquire for licensing purposes because they've got to sort that out, but if you keep your eye on it, and by the way there's a lot of companies that keep their eyes on these bankruptcy proceedings. They may initially approach the estate of the trustee and said, "We'd be interested in licensing and they just kind of make initial inquiries as to what's going on."

Generally, in these bankruptcy proceedings, by the way, you can find out who is ultimately going to acquire it. It can be nothing more than a letter or an email that says, "We saw that the brand is in bankruptcy. I'm an owner of XYZ business. We have these really cool water products. We know they've been around for a while in San Diego and we'd love an opportunity to license the name for these products. Please let us know when that might be available."

Michael: Right, so even after a bankruptcy, someone has to own I guess whatever assets are left from the company.

Rand: Generally that's the way it is unless they've totally unwound the thing.

Michael: If it goes under and it's in bankruptcy and there's no money and the state takes it, I wonder even if the local level, do they put value on a license? Is it a category?

Rand: You raise an interesting point. These are where the opportunities pop-up. Sometimes, and this has occurred more often than not, smart operators go in and on the local basis, sometimes they don't even understand the value. Sometimes, the valuation isn't even there, and suddenly, you could show

up at the door and say, "Look, I would love to license this brand. I know you guys have this brand name."

Now, you have a couple interesting opportunities here. Sometimes it goes into bankruptcy and let's say the family or whoever is interested in anything. They just want to liquidate this whole thing. You may be in a position to pick it up for literally nothing. They don't see the value in the brand name, and that wouldn't even be a licensing deal. They may even say to you, "Michael, submit us an offer for the brand name, and it's yours."

Michael: A good interview with a good bankruptcy attorney or trustee attorney could probably iron all that out.

Rand: The nice thing is on the internet that you can find out about all this. The beauty of the internet is it's a very powerful tool. You're able to do the research on this, and I would say that bankrupt brands are tremendous opportunities for anybody start-up to operating business. You're looking for a way to get inexpensive licensed brands. That's one market to go after.

Michael: So, you're saying this broken brands is really hot now.

Rand: Oh, yes, absolutely. Keep in mind that what makes these so hot is that we're in a day and an age that's very difficult to build a really big brand name especially in the United States. It's very expensive, very diverse market, so many of the brands that have been around for a couple of decades, you're never going to be able to get that opportunity to relay build it to that level. So, why the market is becoming so hot is because of the tens of millions if not hundreds of millions that have been invested in these brands.

Again, it goes all the way back to your question even down to the local level is you've got that goodwill, and in this day and age, that goodwill can amount to a lot. So, it comes down to this. Why reinvent the wheel? If there's a broken brand out there and you have an opportunity for it, why not take advantage of all the goodwill previously built and just capitalize on it?

Michael: Yes, and within the banking model, in evaluating a business, the goodwill and the blue sky is usually never taken into

consideration when evaluating what a business is worth. It's always been machinery, hard assets, accounts receivable, stuff that they can count on. It seems like the goodwill and the stuff that you really want is always either not going to be taken into the evaluation unless you have these huge brands like what you're talking about, but on the smaller level, there's almost no value given to them at all.

Rand: Absolutely. It's a great opportunity for any business out there to take a look whether it's at the national level or all the way down to the local/regional level, take a look at some bankrupt brands. You'd be surprised at the opportunities you can pull out of that.

Michael: Very interesting. Okay, Rand, so where is the highest leverage points when it comes to intellectual property, licensing?

Rand: Well, I think when you talk about leveraging intellectual property, I would qualify the highest level of intellectual property is by its very nature leverage means how many times can you leverage up this intellectual property. I think when you talk about leverage, I think you're really talking about revenue streams. How many revenue streams can you leverage?

When you look at intellectual property, probably the most visible form of highly leveraged intellectual property is entertainment, entertainment content, whether it be a movie or a TV show because when you look at that, you can see that it's core intellectual property is a movie or a TV show that has been leveraged into multiple product and service categories.

When you look at some of these big movie projects, they're into toys and t-shirts and hats, housewares and domestics and fast food and beverage and live shows, and entertainment themes and all sorts of rides. That is an example of highly leveraged intellectual property. It can go into so many different categories, so many different places, and it basically leverages up and creates thousands and thousands of products, which generate tremendous revenue streams.

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So, if I were to say the highest leveraged in IP licensing, I would say that intellectual property that can be leveraged a broad amount of different product or service categories.

Michael: I don't think you said books, though. If you think about it, it all starts with a book in a lot of cases.

Rand: That's a good point. You know you raise an interesting point here. I always say to people, "What is a Barnes and Noble?" People look at me and they go, "Well, it's a bookstore." I turn to them and I say, "No, it's an intellectual property warehouse because when you go in there, everything in there is a copyright is an intellectual property."

You raised a good point. Books are a tremendous, tremendous source of intellectual property, and there's a perfect example. You say, "What can we derive from a book?" Look at the Harry Potter series. The Harry Potter series started as a book that had been around for a decade or more, eventually moved into a movie, and again, talked about highly leveraged. There's a tremendous leverage there, and there's many books by themselves that don't necessarily go into movies that still have developed licensing programs around them.

Publishing is another form much like entertainment that can go into multiple formats. So, if you're looking for some intellectual property ideas, if you're looking for some opportunities, go visit a Barnes and Noble or your local bookstore. You'll be surprised what you can find there.

Michael: Does all this licensing involve lawyers? Do we have to have lawyers, and are the complicated contracts?

Rand: Yes, there are intellectual property lawyers involved, and the contracts in some cases can be complicated, but it's not always necessary that it be that way.

Some companies will work with intellectual property attorneys to handle all the negotiations. In other cases, it's not necessary to work with an intellectual property attorney, depending on the complexity of the deal.

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Many contracts today especially intellectual property are pretty much standardized as far as the nuts and bolts of the terms and conditions, the warranties and representations, which is another way of saying that I do in fact own the rights to the intellectual property and you in fact do have the rights to license it from me, and things like that.

So, there's a lot of stuff that's become very standard language, and in certain cases, you can actually do licensing. It's not necessary. You don't have to have a lawyer to do licensing. Not every contract is necessarily complicated. There are some very simple form contracts. There's short form contracts and long form contracts.

It all depends on what kind of licensing deals you're doing. I've done deals where we've used two pages for the licensing contracts. It's been very simple and straight forward. I've worked on deals where it's been a thirty page contract, and in this day and age too as far as involving lawyers, there's often times opportunities where you can bring an attorney in just to review what was added in or created for that specific contract without the need to have them recreate or start from scratch and develop an IP or licensing contract.

In my Introduction to Licensing as well as Licensing Master, one of the things that I've done in both of those is to provide an example of what these licensing contracts look like.

When I include those examples of contracts in the programs, it's to get people familiar with them. I always say, "You can read through them. You don't need to be a lawyer, but if you're familiar with what's in them, you'll start to get comfortable."

One of the things people have to understand about anything especially when it comes to legal contracts is you have to get comfortable and understand what's in them. You get in trouble today when you don't read the fine print in anything. With licensing, if you go through and you take the time, it would only take you about an hour, but if you read through those contracts, you'll get a sense of what goes into them. That's really all you need to do is have a sense of what goes into them.

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If you understand what goes into them, it's not so much that they become complicated contracts, you understand where some of the issues might be and some of the points, and you'll also get a sense of, "Do I need a lawyer for this deal? Do I not need a lawyer for the deal?"

So, being able to have those contracts, and again, I include them in the program so people can actually take a look and understand what goes into those contracts.

Michael: How does one decide if they should sell their intellectual property outright versus just licensing it?

Rand: Good question. There is a market for selling. The internet has been a tremendous vehicle especially for buying, selling and trading intellectual property. The biggest challenge you have for selling your intellectual property outright is depending on where it is in the valuation stage, and by that how long you have it in the market and how big it's grown.

When you sell your intellectual property, you may or may not be receiving the full value or the majority of the value of it versus licensing it. What I would say is that licensing is very versatile, and there's a lot of companies out there, a lot of inventors that actually use licensing as a precursor or the beginning stage to ultimately sell their IP.

One of the things to think about, you may be able to sell the IP and get \$10,000 today or you may be able to license it out, receive a few thousand dollars from your initial licensees from the licensing dollars, but three or four years out, those licensees may become very successful, and suddenly your IP is worth hundreds of thousands if not millions.

Along the way, you increase the value and ultimately you have an opportunity to sell it much higher. So, that's really the big difference. If you sell outright today, you don't know that you'll really reap the total value for what you have created as opposed to using licensing, which will allow the value to build in the market.

Michael: Rand, if I don't have any intellectual property to license, is there still an opportunity for me to make money in licensing other people's intellectual property?

Rand: Absolutely, there is. The beauty about intellectual property is you don't have to have it. You just need to know how to acquire it and market it and sell it.

Your acquisition of it by the way doesn't necessarily mean you have to acquire it. I can tell you, and I talk about this in Licensing Mastery, you can go out and you can especially if it's a new or underexploited intellectual property, you can go out and acquire what's called a master licensing agreement that gives you what's called sublicensing rights, which basically allows you to relicense the rights to that intellectual properties to other to make products or services.

So, you don't necessarily have to have any intellectual property at all. You can go out and acquire it. That's the beauty of it, and so you can acquire the rights in, and you can license it out. You can license in and out.

Michael: Let me ask you this. With a master you can get a master license, right, can you not only resell it but actually own the license to do whatever you want with it?

Rand: That's another good point. The beauty of licensing, you can have the master license. Let's say you get into the food category. Fairly large, let's get into the food and beverage category, and you decide that your specialty is look, "I just want to make frozen lasagna," or whatever it is, and you decide, "I just want to keep the frozen category," yet you've got the whole food and beverage.

So, you've got canned goods. You've got prepared meals. You've got hot soups, cold soups. You've got carbonated beverages, non-carbonated beverages. You've got – whatever you've got, so you could actually select out the specific product categories that you want to continue to manufacture and then sublicense or relicense out the other categories.

Then, what happens is you're acting as both a licensee and a licensor. In other words, you're making your products and you're responsible for your reporting activities to the owner of the intellectual property, and at the same time, those companies that you sublicense or sublicense, you're now acting as the licensor's agent to a certain extent where you're

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working with those other companies to make sure that they're doing what they need to do.

That gives you a little bit of both, and it can be a very effective strategy. It's a strategy that's used by the way, if you want to control a category, let's say where you can go in and own the rights to that entire food and beverage category, yet you can relicense it out to other licensees.

The beauty of relicensing, to put it simply it's basically you get the license for five percent, and you relicense it out for seven, and you collect the two percent difference.

Michael: Nice. Hello, Rand, right now at this point with the recession still looming, what kind of products are best to get licenses for?

Rand: That's a good question. One thing I will tell you is intellectual property always does better in recessions and downturns because there's a great demand for innovation. What happens too, keep in mind, why the licensing model is so effective because in a recession, it's also more challenging to start a new business.

Anytime you have a recession, money is tighter, there's fewer customers, the market is moving slower. So, licensing is a very effective tool for recession because there's a lot of wheels out there that are already rolling and need to have products and services to fill those wheels.

So, in a recession, when you look around licensing, what are people in need of? What are the challenges that people are finding out there today? What are the problems that are facing people? What are the problems that are facing businesses? Maybe it's ramped up sales. Maybe it's increased marketing. Maybe it's more efficiency.

Maybe it's product saving, time saving devices. Maybe it's home entertainment. Maybe they're looking for better ways to operate their vehicles or whatever they've got. In a recession, even though you have less sales, less customers, there's still tremendous opportunities when you think about what customers are looking for.



In a recession from a consumer marketplace, they're looking for innovation. They're looking for time-saving. They're looking for value. They're looking for quality. They're looking for something that allows them to do things that can save them time or give them greater satisfaction and what they're doing.

You see this a lot. When you look around and you see the success, the iPad has come on strongly. The iPods have come on strong, and you say, "Where is all this coming from?" The iPhones are coming. Well, think about what those devices represent. They represent devices that are multifunctional, allow people and businesses to do a multiple of things, are convenient, are the latest gadgets, and that's why they're so successful in the market because people are willing to pay more for something that allows them to do more, something that's more convenient, more efficient, and that's what you're finding in the market today.

So, for anybody looking at the recession saying, "Boy the market is getting tight down there," I can tell you that demand for innovation is there. I'm working with several clients now who have consumer products, and we're going into the home entertainment/outdoor entertainment market.

You say, "Well, gee, the market doesn't need another home entertainment or outdoor entertainment patio furniture type of product." The answer is, "Well, yes it does because there's this new innovative. It's exciting. The licensors haven't seen it. It gives the consumer something different. It brings them together." So, the demand is definitely there, and in a recession all I can say to everybody and encourage is look around and say, "Gees, what are the categories that are going stale?"

Who is on a decline because those categories that are going stale, there's another opportunity that says, "Well, wait a minute. Nothing new and innovative has been introduced in this category."

So, these are just some suggestions, but there's many, many ways in which the recessions offers a lot of opportunity. By the way, small mid-sized businesses operate the best in a recession.

Michael: Very good. How do you find the right person you need to talk with at any given company to get your licensing deal negotiated? So, I think people want to know, who do we ask for? Who do we talk to?

Rand: Generally, it's going to be somebody involved in some capacity or marketing or business development. This goes back to the question that was asked, and I talk about at trade shows. I talk about this specifically I Licensing Mastery is who to identify the right person.

Trade shows are very effective. I gave that demonstration where you can go and find out by talking to the sales people or the distributors who in the organization is best to talk to.

You can go online and research. What you want to find is the person who is involved in licensing. You can do it through a phone call or email searching a company directory. I always find that if you can engage in a conversation with somebody within the organization who could tell you who that person is, again that's why trade shows are so effective. It's the one place that I know that you can get in front of a lot of people, and have that one on one conversation, having a chance to talk to them about it and finding the right person to approach because it does make a big difference.

Once you find the right person to approach, it's then a matter of understanding what information do they need to see, and how do you need to present it.

Michael: Rand, can you trademark a nickname that wish to use to create a product around, sort of like Gene Simmons did with the rock group KISS?

Rand: Sure, you can create a sub-brand within a brand. That's very common. You've got Coca-Cola. You've got Zero Coke. You've got One Coke. They're known as sub-brands is really what a nickname is. It's a sub-brand within a name.

When companies use sub-brands or the way to use sub-branding is it's a way to keep the identity of the main brand, yet be able to protect the identity of the sub-brands, and it's a strategy that's used often times by companies where

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they're introducing other products. They create these sub-brands if you will, and the reason they create the sub-brand is one for better product identification, but also who knows?

It could be a possibility that that product could take off on its own right, and that brand could become a major brand. So, that's really what the strategy is there when we talk about these nicknames.

Michael: Gene Simmons, I've watched his show. He's a licensing maniac. He's a wonderful businessman. What do you know about him? He seems like a great example of the potential of licensing.

Rand: They knew when they created KISS that was all about merchandise licensing.

Michael: Gene is the brains behind it.

Rand: He's very savvy because when you think about what KISS did. As soon as they put that paint on, they created costumed characters. As soon as those costumed characters were created, that means anybody could be a KISS character. Anybody could be a member of the KISS band. They have a very distinctive look that can go into T-shirts and hats and costumes and glasses and shorts.

When you think about it, that's the big difference, and this is a great example. When you look at a live rock band where there is some costumes involved, there's only so many places that you can go from a licensing standpoint.

Yes, you've got the music. Maybe a few T-shirts and things like that, but you don't have a lot of intellectual property elements that can be integrated into merchandise.

Now, when you take a look at a band like KISS and you say, "Boy, they seem really off the wall, and they dress up in these costumes, and they have the painted faces." It was a merchandise play.

Michael: Did you read his book on that?

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Rand: I just parts of it, but I read some very interesting articles on Gene Simmons, and he's very savvy. He understood and understands the power of licensing. That's where KISS makes the majority of their money is off licensing deals.

Michael: I didn't even realize that.

Rand: Yes, they've got a toy line. They make more money off their merchandise than they do off of their concert tours.

Michael: Very interesting. Okay, Rand, I want to sell my designs to a licensing distributor. For example, someone who sells products to Target or Wal-Mart. Where do I begin?

Rand: Okay, well I think the thing to understand is a little terminology here is if you are a design and again, it depends on what you're designing. Are you designing clothes or are you designing products? You can be a product designer at some level, and really what a product designer does it works with companies who are looking to develop products.

Let's talk about products for a minute. Maybe it's apparel. Maybe it's toys. Maybe it's giftware, stationary, housewares, whatever it is, and product designers by the way are inventors. They're inventors to a certain extent, except their specialty is doing product design work. They come up with product designs and they're hired by companies because they have an expertise. They know how to make cool looking housewares or china or the latest mugs or the latest designs and radios, or whatever the case is.

Who they sell their designs to are manufacturers who make the products that then go into Target or Wal-Mart. So, when they talk about a licensing distributor, I wouldn't call it a licensing distributor because what happens in licensing is taking a product, an invention or a copyright or a trademark or know how and licensing it to a manufacturer who then will make and distribute that product into the Target, into a Wal-Mart, something like that.

So, I think that going back if you're a designer, who designs whether it's a hard product or a soft product, what you're going to be looking to do is to sell those designs, or in some

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cases, license those designs by the way to a manufacturer who then sells it into a retailer such as Target or Wal-Mart.

Michael: Target and Wal-Mart, do they have licensing departments where they buy licenses? Is that doable, or is that within the scope of some of these large department stores? Or, like you said, you've got to go to the manufacturer and then Target and Wal-Mart buy the product?

Rand: Target, Wal-Mart, some of these big regional national chains actually will license.

Michael: License in?

Rand: Yes, they will license in direct rights to certain brands or celebrities. You've seen that. You've seen Target who is taken in and gotten these big programs. They've done it with music, and they've done it with a couple of celebrities brands where they've had exclusives on I want to say Kathy Allen. I'm not sure she's one example.

They've done these deals exclusive with celebrities who lend their likeness and their name and they create the brand around it. They have an exclusive on it, but those are much bigger deals. They're personality driven, and they do it more as a lifestyle apparel brand. Those are generally on a bigger scale.

On a smaller scale, on a one-off product, let's say you're looking to sell Wal-Mart or Kmart a design for a radio clock or a blender or something. That's not something they can do. Just practically the size of the organization, they're not in a position to be able to license what's called one-offs.

Michael: Let's move on. Is it important Rand to have connections in the media or entertainment industry that do licensing, or can someone do this starting from scratch?

Rand: Well, if you're interested in the media or entertainment industry, obviously, having some connections on the inside always helps. Being in the network, licensing is all about relationships. It's all about networking. I always say that if you want to do licensing, you can always find connections in some media or entertainment company, somewhere.

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As far as starting from scratch, really again it's having access to information. It's having access to who's doing what. There's many trade sources out there. If you want to find out what's going on in the media, entertainment industry licensing, start with Hollywood Reporter, Variety, Licensing Magazine, License Magazine.

All of these cover the media and entertainment marketplace. They all have information on what's going on from a licensing standpoint. Great starting point – License Magazine and Licensing Magazine will even tell you what properties are being licensed and who to contact. So, it's not that difficult. If you want to start from scratch to find out who you need to contact, to take a look at licensing opportunities in the media and entertainment industry.

Michael: Okay, another related question, without any connections whatsoever, is it doable by telephone or is the personal meeting required to close the deal? I ask because I live in Asia and wouldn't want to fly to New York on the hope and prayer.

Rand: Well, the answer is yes. I'd say the majority of my work is done by phone. It's not uncommon for you to be able to do licensing deals strictly by phone conversations and email. That's not uncommon. Generally, what licensing requires is just verification of who the company is, what it's doing, how it operates.

By the way, in this day and age, it's not necessary to travel. You've got video calls. Many licensing transactions are done using video calls right now. The in person meeting is becoming less important, less frequent. What is more important is what is the company, what is the product and how are we going to get it to market.

Michael: What unique approaches have you used to talk to authors about licensing their products, something that may be a newbie or someone who doesn't know anything about licensing can use?

Rand: I don't think there's really any un-unique approaches. I've had experience with a number of children's book authors who

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have created these children books and have been selling them, and they're picture books and they've had them, and really the discussions have centered around, "Have you thought about licensing?"

So, it's a question of what they would want to do with licensing. Some have thought about it, some haven't. Some don't know much about licensing. So, I think for anybody who is a newbie, and again, the term newbie or unknown person, the beauty of licensing is you just need to understand what licensing is.

If you see a children's book, an author who has written a book, and you have an idea about a product or a service that could be a spin-off, it's simply a matter of connecting with them whether it's through their agents or them directly and saying, "Hey, have you thought about licensing? If so, I'd be interested in this category." That really starts the ball in motion.

I know it sounds simple in terms of context, and I talk about this both in Intro to License and Licensing Mastery, but it really does often times start with nothing more than a phone call that says, "Do you do licensing?"

Michael: So, Rand the last question in this section is, who is licensing for?

Rand: Licensing is for literally everybody, if you will, and let me qualify that. If you were a start-up and you want to fast track your way to get a business up and rolling, I've talked about this earlier, licensing is the fastest way you can start a business today.

I talk about this in Licensing Mastery, but I really hit this home in Licensing Leverage. I talk about, "What's one of the fastest ways to start a business?" Acquire intellectual property. How do I acquire? Where do I acquire intellectual property? I talk about that in Licensing Mastery. I talk about that in Licensing Leverage, and I also talk about that in University IP, the Billion Dollar Start-up Secret.

You have a start-up. You want to acquire intellectual property, go to University. So, those are three products that I

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put together specifically about this. Licensing is literally for start-ups, you want to fast track your way, acquire intellectual property.

If you're an operating business, and you're looking for a way to expand, perhaps your sales have flattened out. Perhaps they're going down. You say, "Where am I going to go? How am I going to ramp up my business? Again, licensing is there for you whether you want to access new products, new categories or new technologies. You can license in inventor products, or you can go out and acquire brands. We talked about this earlier on. You can license bankrupt brands that will give you an opportunity to expand in a new market.

One of the things that I also talk about, and I talk about this a lot in Licensing Leverages. Understand this, licensing is about forming a partnership, and licensing is really just the tip of the iceberg.

If you are a small business even a start-up or an operating business, and this is what I talk to my clients about. Licensing opens a door of opportunity. Licensing is acquiring resources called OPR, other people's resources.

Many, many start-ups, small businesses, have a challenge of resources. A lot of times it's capital, but it could be distribution, marketing, manufacturing, whatever it is.

Well, when I talk about in Licensing Mastery and Licensing Leverage is there is not shortage of resources. They are out there. You just have to know how to acquire them, and licensing allows you to do that. When you license, when you acquire a license, and I talk about this specifically for a studio, what you're doing is opening up a partnership.

The license is just to get you in the door. What you have to understand is through that license, once you acquire it, you have a tremendous partner. You could be a one or two person operation operating out of a garage, but if you acquire a license to a major studio, you are suddenly part of a family of companies that are operating as a licensee of a very large multi-national global company.



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Well, guess what? Behind that company there are all these divisions that reach out into all these markets that have many, many initiatives going on, and what they are in need of is products or services for their initiatives. What happens is once you become a licensee, you open the door to now being able to access all those resources within that organization because you are part of the organization.

So, what I talk about in Licensing Leverage is now you have an opportunity to open the door, and I've worked with many companies, when I was on the studio side, where they acquired the license to say it was a Power Rangers or Batman, but that just opened the door beyond those properties. They wound up getting millions of dollar sin business just on the premium of promotions, movie promotions, requests from the DVD department or from the field marketing department. There was many other places they could go simply because they were a licensee, and now had access to that.

That occurs across the board when you're licensing entertainment content, whether you're licensing game content, whether you're licensing brands, sports, technologies, whatever the case. If you're a business operator, once you get that license, you're opening the door to resources, and I talk about that as I said extensively in Licensing Leverage, and I've talked about that earlier in University IP.

It's the same thing, you're opening the door to resources. So, there is no shortage of resources. So, licensing is applicable as I said to everybody, and then of course, if you own the intellectual property and you say, "What am I going to do with this invention? What am I going to do with this technology? What am I going to do with this information product?"

I've said this before. If you have know how, if you have a marketing system or a real estate system, if you've got an organizational development, leadership, personal growth, professional growth, any number of systems and processes that you put together that you have been selling throughout the years that you've been going into either individuals into organizations and they've been coming to your seminars,

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you've gone into their organizations. You have classroom sessions. You have in company session, whatever the case is. You have created intellectual property.

You've developed these processes, these systems, these procedures, this know-how, this professional knowledge that you then sell to other organizations to implement and expand their business. That is intellectual property.

Again, you can be licensing that up, leveraging that, monetizing that, and licensing it for others to deliver that same information product to their clients.

So, licensing really is something that is universal. It's for everyone out there who is thinking of starting a business, who currently has a business or owns intellectual property. It's also for everyone who is thinking, "Can I go international? How can I expand my business?"

The beauty of intellectual property is that it's one of the few industries that operates the same around the world. It's all based on intellectual property law, as long as those countries have intellectual property law that's enforced. I can tell you that the contracts and the terms of those contracts are just about identical in whatever country that you're operating in.

Michael: Okay, Rand, here's a question. He says, "Intellectual property covers a wide range of disciplines. Does this mean that you can show me how to make money licensing intellectual property of almost any kind? How can I do this?"

Rand: People can make money licensing intellectual property, and when we say of any kind, I mean there's many kinds of intellectual property. There's copyright, trademarks, patents, know-how, and the question of really can you make money depends on how you want to monetize intellectual property.

Obviously, if you're a start-up company and you want to license in intellectual property, then the opportunity to make money on it is really how you commercialize it or exploit it. Do you make products from it, or is it a service based business?

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We had also talked about the fact that you could do a master licensing deal in which you acquire the master licensing rights and sublicense it back out. That's another way that you can make money on it from relicensing it. You could own intellectual property and license it out to others to commercialize or exploit the intellectual property rights.

So, those are the ways in which you can make money on it. Now, as far as the different kinds of intellectual property, obviously intellectual property is very broad, very deep, very expansive. You've got everything from basic consumer products to very complex nanotechnologies and biotechnologies and everything in between.

So, it's really a question of where your expertise lies. There's many opportunities for making money in licensing intellectual property, and by the way, here's another tip for those. Again, I talk about this a little bit is often times you may come across inventors or companies that are not familiar with licensing and you could of identified an opportunity out there and operate, if you will, as an intermediary to put the parties together and be paid for putting the deal together, licensing deal together. That's another possibility.

So, those are different ways in which you can make money licensing intellectual property. How you do that is really a question of getting involved, getting engaged in the field, having a basic understanding of what's involved in licensing.

Again, if you're interested in doing this, I encourage you to get my Intro to Licensing and Licensing Mastery because that's exactly what it's going to do. It's going to teach you how to do this, how to put these deals together, whether you want to license in or whether you want to license out.

Michael: Great. Rand, how does licensing increase the overall value of a business and make it attractive to potential investors?

Rand: Good question. This is what I talked about earlier. In this day and age, what's happening is the marketplace is becoming more competitive, and there's a lot of products and services that are becoming what's known as commodities and they're losing their value, their unique value, and it's becoming more of a competition on price.

So, what the situation is in today's market, and I can tell you especially if you're looking to finance a start-up or an operating concern, intellectual property is critical. Today's investors are looking for competitive advantage. They're looking for companies with intellectual property that provide that competitive advantage.

For listeners wondering what we mean by competitive advantage, what we're talking about is having something that others don't have. It's like creating a moat around your business. If you have the latest and greatest new cooking gadget or the latest and greatest new toaster, or you've got a new software program, or you've got something that others don't have. You have an advantage. That's what investors are looking for.

They're looking for new technologies. If you're wondering what are some of the ways in which it can increase value. First of all, if you have an intellectual property that you've been out there, you've proven a market, you've sold a few products, you have a way of valuing it. That's going to attract money to investors.

If you acquire an intellectual property that has been in a market place, you acquire a brand or software technology, that's going to attract potential investors. If you license out a component of your intellectual property, that's going to license out investors.

By the way, there is a market place that exists depending on what you have in your license agreements, in which it will actually pre-pay you for your royalty stream. What I mean by this is if you have a contract, a license agreement that you've licensed out your intellectual property and it's a two year deal and let's say your deal entitles you to a ten percent royalty and the company pays you ever quarter, \$250,000.

You can actually take that contract into what are known as third party financing companies who will actually prepay you or discount that intellectual property contract, and pay you let's say eighty percent of what the total value of what those payments are worth. So, you can get the money today if you need to expand. They will then in turn take the position of the

intermediary who receives the royalty payments directly from the licensee, and then collects those royalties and obviously having given you eighty percent of the value, they make twenty percent of it.

So, those are a couple of different scenarios and variations in terms of what intellectual property and licensing can do to increase the value of the business.

Michael: That's absolute proof that you've got something of value. Just like a home. You own a home, and the bank will finance eighty percent of it or maybe in the good old days they would.

Rand: Sure, intellectual property use is becoming more valued in many cases for many businesses. In fact, if you were to take a look at the Fortune 1,000 companies, and you were to look at their asset balance sheets, and not to get too complicated on the accounting, but if you really look at the assets of many of these large and midsized corporations today, you would find that over seventy percent of those assets on their balance sheet are intellectual property, and in many cases it's licensed intellectual property.

Michael: You've got a lot of probably negative thinking out there where people think, "Oh, I'm not going to mess with this licensing," because we've all heard the stories where you get a licensing deal with a large corporation. You think you're fully protected. You may sell it to a large corporation, and then they'll violate the agreement knowing they have bigger pockets. They'll just run you into the ground with their attorneys. Does that happen today? Does a small guy need to worry about that still?

Rand: There's always the possibility that you can have large corporations who will sit on it or use their large position to force you to do something as a small guy. That's always a possibility.

Part of this licensing especially if you're an inventor, or you're a small company looking to license out is understanding who you're doing business with. Many cases, you can look at these large corporations, and they can present what you would think is a great opportunity, but you have to really ask

yourself, "Are they the appropriate partner for me? Do I need to have my product position here?"

If you want to develop a relationship with these large corporations, and you have to be sure and you have to be willing to invest with the right kind of intellectual property attorney to make sure that you structure your agreements properly.

The biggest challenge you usually have especially with these larger corporations is having inappropriate documents, not structuring your license agreement the right way, not having the right terms and clarity. I talked about the clarity early on within that agreement. If you structure your contracts correctly, generally, you're not going to have a problem.

Are there situations where large corporations take advantage? Absolutely, in some cases, you have to be prepared to enforce legal action. Generally, it doesn't happen, but there are cases it does. You just have to be aware, but it all comes down to this – understanding, doing due diligence, understanding who you're doing business with, structuring your agreements right. Those are the key to having a successful deal, and putting together a deal with a large corporation that's really going to be win-win and stay on track and not put you as a small company in the situation of having to face legal action against a large company.

Michael: When you said you may sell intellectual property to a large company and they may sit on it. Them sitting on it, is that some kind of strategy on their part to maybe gain some kind of upper hand, or is it just that they sometimes or slow moving and never do anything with the property that you sell them?

Rand: It's a combination of both. Having worked in the studios of actually encountered this situation where a major toy company will license a boy's property or a girl's property – basically pay a million dollars and fill it in the market. They'll basically pay a million dollars, do minimal work for it, sit on it and let it die out.

They're doing that for competitive reasons. They're doing it to protect their core brand. So, that is not an uncommon thing

to have happen. There's many, many companies, larger companies that have licensed intellectual property and sat on it and done nothing with it specifically because it's a competitive move.

It keeps that technology off the marketplace, and again, this goes back to understanding who you're doing business with. If you have a new technology, if you have a product of a service, and you're going to approach a company, you have to do some homework. You say, "Am I going to be a big fish in a small pond? Is this new technology that I've created a product, is this going to take sales away from their core business or products they already have on the market?"

Obviously, if it's competitive to what they currently have, take that into account. You're going to see that many times, companies will license these and take them off the market simply because it's a way of preventing competition.

Now, with that said, certainly within your agreements, and again, I talk about this in Licensing Mastery, you can structure in what's known as performance clauses where if you're licensee – if this company hasn't taken action or bought the product to market within a certain period of time, there's termination clauses that say, "Well, if you don't market it by such and such date, then you're going to lose the rights to this technology."

So, there are tools that you can use within the contract to help enforce a lack of action if you own the company, but at the end of the day, it all comes down to good due diligence and understanding whether or not this larger company makes a good partner for your intellectual property.

Michael: I see huge opportunity. Let's say you're doing the research say with all these universities, and you find something that is a direct competitor and a threat to a large company, you acquire the license and then go to them and ask them if they want to license it knowing that it's a competitive technology or intellectual property, and then they may want to buy it out from you anyway.

Rand: That's one possibility. By the way, there's brokers out there that do that. There's many things that could go on in the

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marketplace that are available to you today. There's a lot of exchanges that are out there – buy, sell, trade intellectual property.

There's many ways in which you can make money with intellectual property without actually having to make anything. You can have access to information of knowing what companies are looking for what. You can know an intellectual property exchange. You could put intellectual property up for sale. There's many places to go with intellectual property.

You could, as you said, acquire the rights to intellectual property and then turn around and offer it to a company who is not aware of it who would be interested in purchasing it. Again, it would depend on the stage the intellectual property is in.

Let me use the example like real estate. There's many people out there that know how to buy real estate that is under-performing in the marketplace and be able to turn it very quickly and turn it into a performing piece of property. I like to use the real estate model because it's very similar to intellectual property.

Well, intellectual property is the same, and to a large extent has similar characteristics. If you can identify intellectual property that is under-performing, you can turn around and acquire the rights to it either directly through a license or an option and turn around and find a party who can commercialize it because you've got to remember. It's a very large marketplace out there. Unlike real estate, which has a multiple listing service, where there's a central repository and people can find the real estate listing, there is not central repository for all the intellectual property that exists out there.

That's one of the challenges. That's slowly changing by the way. If you go online, you can find a number of these intellectual property exchanges and PX Exchange, IP Café, any number of them. If you're interested, you can do a quick search online, just put in "intellectual property exchange," "intellectual property option," any number of those terms will bring up a whole host of these intellectual property exchanges



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or options or places you can go to buy, sell, trade intellectual property.

You have [FreePatentAuction.com](http://FreePatentAuction.com), IP Menu. You've got [YetTo.com](http://YetTo.com), another one that offers information on IP for sale. So, there's many, many of these exchanges out there, and you should be taking a look at them because there's lots of opportunity for you to be able to see what intellectual property is there, and in many cases because it is such a broad marketplace, there's no central deposit that you can go to find all the intellectual property. It's a very fragmented market, and by the very nature of having a very fragmented market meaning it's hard to find for buyers and sellers to come together. It presents an opportunity for those that are involved.

I operate as an agent. I have a specialty in entertainment and consumer products, and I represent companies as well as properties, but I don't have a huge database of knowing who's got what properties where. It takes some research. It takes focusing in on what you're looking for.

So, for anybody out there as they listen to this, there are any number of these exchanges that as you get familiar to them, you'll be able to take advantage of them. This is kind of like for those that may be familiar with the stock markets and everything. There is some opportunities here that are almost like arbitrage opportunities. Arbitrage meaning there's a price discrepancy. You find one product lower and from a seller, and a buyer willing to buy it at a higher price.

You step in and buy it a price in between and then sell it to that buyer. Well, the same thing exists in the intellectual property market. You may know companies that are interested in acquiring or licensing intellectual property, and if you know where to go find that intellectual property, you just may be able to make some money on the difference between what the property owner is willing to license it for and what the company looking to license it is willing to pay for it, again, much like what an agent might do if they were representing them.

So, a couple of other sources for you if you're interested in looking at this idea, [Buyer.com](http://Buyer.com) is another website.

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[NewIdeaTrade.com](http://NewIdeaTrade.com) is another website that you can go to if you're looking to buy, sell, find new ideas. All of these are opportunities for you. I'll give you another opportunity that may be many of your listeners may not be aware of.

Some of the biggest corporations in the world have websites where intellectual property just sitting there waiting for you to license it, waiting for you as a small or a start-up company to license it. You say, "Well, wait a minute. Why would a large corporation do that?" The answer is you have to understand many of these large corporations like Dow, Corning or Hewlett Packard or AT&T, they have these huge R&D departments that create not only intellectual properties that relates to the products and services they're offering, but they also have a lot of offshoots and new developments, and many times these intellectual properties, they themselves can not incubate them and bring them to the market and commercialize it.

So, what they do is they actually have these available for small start-up companies who are interested in licensing these technologies. What happens is you actually open the resource to these companies because they are interested in seeing you become successful with developing these intellectual properties.

If you can successful incubate or launch these new intellectual properties that they've created, they're going to be keeping an eye on you. If you suddenly build it up to five or ten or twenty million dollars, guess what? They may be buying you out.

I talk about this in the University IP Billion Dollar Start-up Secret audio program that I put together, but I also talk about it in Licensing Leverage and Licensing Mastery. This is a resource. So, when companies are out there saying, "Gees, I'd love to start business, but I don't know what I want to do," you've got just a gold mine of intellectual property to start a business around.

So, you can go to a company like [ATandT.com](http://ATandT.com). You can search their site, and they have a whole section on technology licensing. They tell you, "We've got intellectual property available for license. This is what our licensing

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program is. Here's the type of companies that we're looking for," and so here's another tip.

You want to start up a business. You go to a company like AT&T and you license one of their technologies. Can you imagine how quickly you can ramp up the value of your business if you go in there and say that we've got a licensing deal from AT&T to commercialize one of their intellectual property technologies?

Michael: Yeah, you just walk in with all that established credibility.

Rand: Absolutely. You're talking about really leveraging the name. They've got the credibility. You've got this license. You've got the talent. I mean, there's many, many opportunities that exist out there, and understanding how the license those. You can find many, many categories – whatever it is – data management, multi-media, wireless.

When you think about all these technologies that are out there, many of them are on the books for these big corporations, but they themselves can't license them, and what they're looking for is they're looking for—

Michael: Marketing, they need people who can sell.

Rand: Right, they're looking for companies that can commercialize and build them up and sell. It's just sitting there, and you're talking about the potential to get millions of dollars, and smart savvy entrepreneurs in the world today – any of your listeners listening today, if you do your research and do your homework, I encourage you. Take a few hours a day for the next two weeks, just start search the internet.

I say the internet because it's an invaluable tool. It gives you access to so much information. Start compiling this. Suddenly these opportunities are going to present themselves, and then you're going to start looking at these corporations, universities and what I talk to clients about as well as when I speak, I talk about this in all of the licensing courses that I've developed. You just need an awareness of what this licensing is.

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Suddenly, when you have an awareness, if you look around on the internet, you suddenly are seeing licensing everywhere. Suddenly, this whole licensing thing seems to be appearing everywhere, and it's only because you finally gotten a recognition and understanding of it.

Like I said, the purpose of licensing is to give you an opportunity to acquire these technologies or services or entertainment or whatever it is, and again, you don't necessarily have to be the expert that knows how to put these deals together. You just have to know that licensing is there, how to ask the questions, where to access the experts for it and how to understand what questions to ask. That really is key more than anything else.

I talk about this in Intro to Licensing, Licensing Mastery, Licensing Leverage, University IP, Business Process Licensing and all my products. What they're designed to do is not only teach you about what licensing is and how to do licensing, but also how to ask the right questions so it can put you in a position to take advantage of those licensing opportunities.

Michael: So, how can someone license the rights to some lyrics of a song?

Rand: It's interesting. Licensing music similar to be it movie or TV shows, the difficulty or ease of acquiring just depends on how popular it is, how large it is, what you want to do with the lyrics, what types of products you want to put out there. It's all dependent upon what you want to do with it.

So, there will be some songs where it will be very difficult to get the rights especially the very, very popular ones where they really look to protect the usage and integrity of the music because it represents such a significant revenue source, this music or a particular song may be generating tens of millions of dollars in revenue.

In other cases, songs that aren't quite as popular or perhaps have been coming, it would be easier to acquire the rights to the song lyrics. So, the answer is it depends, and you hear that a lot in licensing. I say it depends because really license is very fluid, and it does depend. It depends on the market,

the situation, the value, what's going on. There's a lot of variables that come into effect.

But, at the end of the day, if you see a song or hear a song, you're looking to use it, simply pick up the phone and ask because you won't know how difficult or easy it is to license until you ask.

Michael: Would it be necessary or advisable to form a separate corporation or as an LLC in order to promote and sell my intellectual property licenses?

Rand: Good question, and you know, I meet with many, many people that do form LLCs specifically to hold their intellectual property. It's a good strategy. It's fairly common. It also gives you an option in addition to promoting and looking to sell your intellectual property, you also have an opportunity to license your intellectual property out under the LLC.

The purpose of the LLC is if you want to give the LLC say the master license rights, and for any number of reasons, you want to operate through that LLC or perhaps rather than holding the intellectual property in your own name, you prefer to hold it in a corporate name, so that would be the purpose of forming that LLC.

Michael: Rand, how do you set up territories when you license a product to someone?

Rand: It depends on how you want to structure your licensing program. Some products or services are more appropriate for licensing broader territories like the US or Canada or Mexico, especially if they're going to be selling just the nature of the retail distribution is such that it's more appropriate on a national basis.

Others such as information products are better on the localized basis because the delivery of those products or services are to an individual business, or perhaps the licensee is operating on a per capita basis meaning they have the rights to operate in the area of a million population or whatever the case is.

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So, a lot of how you determine geographically where you want to license is strictly dependent upon the nature of the distribution, how the product or service is delivered and what makes the most sense for an individual or multiple licensees.

Michael: Rand, are there recognized certifications, due diligence other than ask around or ratings to identify a top IP attorney to work with, and should they practice in state you do business in?

Rand: Well, I think that with anything, finding a good IP attorney, first of all due diligence is good. Certifications of the attorney really depends on what their practice area is. Most IP attorneys are either going to focus on patents or trademarks and copyrights.

I always find referrals references and recommendations are the best way to go. It's not necessary that they are in the same state where you located. Again, intellectual property law is really something that operates around the world. It's not uncommon. I've worked with many clients whose IP attorneys reside in other cities such as Los Angeles or Dallas or wherever the case is. It just depends on the nature of what's needed, who the recommendation is, and ultimately who you feel comfortable doing business with.

Michael: Okay, here's a question. What is the process of protecting my intellectual property?

Rand: That's really a legal process that goes on. There's a process for if you have a patent, an invention, software, formulations, something like that – you've heard of design utility patents. That is a process that you go through using an attorney or a patent agent.

There's copyright, which is a registration process where you copyright your book, your film, your scripts, your software, your theatrical play, whatever it is. That's a registration that's done through the copyright office, and then there's a trademark which is a recognition.

Generally a trademark is one that a company name or the brand name of a product, and that's one as well through a registration. That process can generally be done yourself

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direct. There's the office of patents and trademarks, if you want. The US PTO, I believe it's [USPTO.com](http://USPTO.com). If you want to take a look there, you'll find out more information.

Then, there's the US Copyright Office, both of which are accessible online, provide you with all the information and take you through the steps on how to do it.

Michael: Rand, can you license a procedure or a process to create or manufacture an item or service, and how would you go about that?

Rand: It's known as business process, know-how. It's a good question because often times, there are certain situations where there may be a product, it could be a patented product, but there is also a manufacturing process or a marketing process or system that goes with it. So, it's called know-how. Sometimes it's also known as a trade secret, but it's know-how.

This know-how covers processes, systems, procedures, techniques and ways in which these products are manufactured and delivered. Now, know-how as I had mentioned earlier is not registered. It's kept as confidential information, trade secret information.

Sometimes know-how or business processes or business systems are licensed as part of a patent license. So, it's not uncommon to see a license for a patent and know-how technology. In other cases, it could strictly be just a process, business process or know-how license where you're licensing the know-how, the knowledge to do or deliver or produce something.

I have an audio product that I created. It's called Business Process Licensing that talks specifically about this, how you license this know-how because know-how is becoming very important. You're seeing this with some of the largest corporations. You're seeing some of these big delivery corporations – UPS and FedEx, they have logistic processes and systems they've created they're licensing out to other companies. You're seeing a lot of manufacturers who deliver production and delivery system that they're licensing to others. You're finding even in the car manufacturing business.

There's a component beyond their license products or their intellectual property in their products, which is actually the processes, the procedures, the systems that they've put in place that they themselves are intellectual property that they can license to other companies to use. That's the same for even small businesses.

If you're an information based business that has marketing systems, real estate, leadership development, anything like that that you've been out there, that you've been delivering to your customers, that is established. You can package that up and license that out under know-how licensing agreements.

Michael: Rand, if you could suggest one single licensing method to use if someone wanted to create a large income stream and simultaneously create viral marketing for their digital product, what method would you choose?

Rand: Their digital product I'm assuming is an information product, and for viral it probably would be a license for the rights to reproduce and resell because the nature of viral marketing is it spins out. So, my thought on that would be to issue a license for both the right to sell direct as well as reproduce it and allow others to sell. It's almost like a sublicensing type situation where they have the right to reproduce and sell it direct as well as have the license to relicense it to others to sell.

Now, it gets kind of tricky there because anytime you have anything that virals out and you allow the relicensing, you have a situation of control, but there's other ways in which you can do. If you have an information product where they only have one source to go to, to acquire rights or get the information download, that's one way that you can control it.

I would think that from a viral standpoint on a digital product, what you're talking about is a relicense type of situation, and that's strategy that I would use.

Michael: How much equity is intellectual property in a biotech or high tech company worth to the investor?



Rand: Depending on what the intellectual property is, it's really the value of the company, and then it becomes a question of what percentage of that value through equity the investor is going to acquire depending on what stage the company is. If it's a pure start-up meaning to money to launch out the door, then the investor's probably going to acquire a bigger percentage as opposed to a company that's already up and operating and commercializing that technology.

In many cases, the intellectual property will be valued and then revalued at different stages. For instance, the intellectual property especially bio-tech some of the more complex life sciences will have some level of value through its various research stages, through clinics, trials, things like that, and then once it starts to reach test market stage, it will go to another level of value which would have to be revalued, and then over course that revaluation will determine what the investors would get if there is in fact an equity raise or an offering.

Michael: Rand, I'm good at finding potential deals, but I'm not too good at negotiating, what specific steps can I take to find someone to negotiate deals on my behalf? For example, if I run an ad in the paper, what would you recommend the ad say and what specific skills should I be looking for?

Rand: If you're not good at negotiating on your behalf and you're looking for people who would negotiate for you, those typically would be lawyers, obviously to do a lot of negotiation.

But, it could also be a licensing agent, a licensing consultant, a representative. It doesn't necessarily always have to be a licensing consultant, per se. Perhaps, it's a business development or a business strategist who is part of what they do is they represent clients and negotiations.

Beyond that, I wouldn't say it's necessarily something that you're running an ad in the paper for. I think it's really kind of a referral based thing that you're looking for somebody to represent you in a negotiation. Typically though if it's for intellectual property, I'd say where you should look to would be either an attorney or a licensing agent.

Michael: Rand, what one skill would you identify as attributing to most of your success as the licensing guy?

Rand: I would say obviously just having some good experience, keeping myself a breast of the market. People skills are very important in licensing, the ability to be able to negotiate with people, interact with people. Networking is key. Keeping yourself in the marketplace. It's really a lot of who you know.

Through that who you know, it's understanding what's happening in the marketplace, keeping an ear to the market, staying active and in touch with people so that you have access to the resources. Another big part of my success is knowing who I can turn to, bringing resources into different situations I have with clients, whether it's legal resources, marketing, knowing where to go, how to access and keeping active in that field.

I think those are probably some of the key attributes that have really helped me in my success. One of the things that has been great in attracting new clients is getting out there and teaching. I enjoy the teaching because I think it's important for people to understand and have an awareness of what licensing is.

I don't know that there's many opportunities out there for people to learn about licensing. I think you'll find more seminars and conferences that speak about licensing from the legal standpoint, but my focus is on the commercialization standpoint, the money making.

I don't speak much and focus much on how you go about protecting the idea, the legal nuts and bolts. I leave that to the attorneys and the pat agents. What I focus on is how do you monetize? How do you market and make money licensing your intellectual property?

Michael: What are the three most important questions to consider when purchasing a license?

Rand: First and foremost, when you're looking at a license, obviously one, and for any source you've got, is obviously, you want to verify do they have the rights they say they have. Is it their intellectual property? Make sure that when

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you're evaluating intellectual property, you understand exactly what rights are there.

Second is to understand exactly what is included and involved in intellectual property. If it's a patent, what is available to license on that patent? What variations? If it's a movie or a TV show what rights are you going to be given? Understand exactly what the components are, the pieces to that license are going to include.

Then, the third thing of course is going to be what is going to be expected from you as a licensee. Are you going to be on your own with this deal or is there going to be support? You really understand and have to have an understanding of what you're going to get into.

As I've said earlier, I talk a lot about this in Licensing Mastery. I talk about it in Licensing Leverage. If you can open up a relationship with a major studio or entertainment company or big brand, sometimes they'll give you support. Sometimes they won't.

Case in point, I had a client. We went out and got a license for one of the brands in GM. The agent representing them is saying, "GM offers no support. You're on your own. Here's the license. You've got to go on your own. There's no advertising, no promotion, no nothing. You're on your own."

So, you have to take that into consideration. Is this a brand or an intellectual property that's going to be something that I can develop on my own, or am I looking for some support? Those would be the three things – due diligence, who owns what as it relates to the intellectual property, second what's going to be included in terms of that intellectual property, and third what type of relationship are you forming here from the standpoint of licensor support behind you and that intellectual property.

Michael: Were you surprised that you were on your own? Did you know you were going to be on your own?

Rand: Well, actually, we did not know at that time we would be on our own. We actually got in and met with the agent. We were surprised that GM did not offer any licensee support, but it

was just their position on their licensing program was that the GM brand in and of itself was so significant, so large that they did not feel that they needed to do anything beyond grant license rights to the licensee.

So, if you were looking for introductions into retail, coordinated retail program opportunities for cross promotions with GM, those weren't there. So, it's a different kind of license.

Again, I think that's a good example of what can occur. So, when you do find out about that, which by the way, we didn't find out until we actually got the contract because it was stipulated in the contract that's something you have to consider.

Michael: You hadn't signed the contract already and then found out.

Rand: No, no, no. They had made that a point, but when we did receive the contract and it was started in there that pretty much you're on your own. I can't remember the exact terminology, but basically it said you're on your own with no support. It did make us stop and pause.

We had to have a discussion internally, and make a determination was the brand and the license would be strong enough that we would be prepared to go out on our own, or is it something that was going to make us reconsider whether or not we wanted to take on this license. Because we were looking for the licensor to provide more than just giving us the brand; we were looking for them to provide some support at various levels, whether it's through retail or promotions or whatever.

Michael: Does intellectual property include software? If it does, how and where can I go and create software at a reasonable cost that I would own all rights to that has a specific application that I can either give away in order to create and build the list, sell, or even better give access to via membership type of website to make money.

Rand: The answer is yes, software by its very nature is intellectual property. It's generally covered by copyright, unless you have a very complex software which consists of systems or

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processes which may even spill over into some patents, but those are very complex situations. If you develop software from scratch, it is your intellectual property depending on you apply it.

If it is software that is licensed out to individual users, you see that as the most typical of licensing agreements. Anytime you get software from any manufacturer for your computer, you'll see a license agreement that pops up. It basically says it's for your use only. Beyond that, if you have a software application, let's say that's going to be just distributed online, there's many business models that can be used.

You can license it to individuals. There's many licensing models that are used for software. That are some that have the model that allows you to download and keep the software resident on your computer. There's other that require you to renew the license every year because there's upgrades. So, they develop the software in such a way that it will expire unless you upgrade on it.

There's other licenses that are user licenses that charge a fee depending on how many users are going to be accessing that software and what it's used for. So, those are different types of models that can be applied toward your software, and then of course, there's the license model where if you develop the software and ultimately decide that you don't want to be involved in the distribution of it whether it's online or direct to the consumer, you can license it to other publishers, if you will, who will produce the software and then in turn market it and sell it directly to the end user.

Michael: Rand, how do I set up a system to control the royalties?

Rand: Systems to control royalties, if you're licensing out, and you have a number of licensees, there's many different ways you can address that. Typically, it's handling through an accounting system, spreadsheets in which you're tracking your licensees. Keep in mind, that when you license, you have multiple contracts, and what you want to do is you want to plug all the key terms so that you understand what products they have, what dates are supposed to meet, and as far as royalties, if you have them quarterly or annually or

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monthly – whatever it is – you want to have some kind of system where every month or every quarter, you can track and make sure that your licensees are reporting.

Typically, on a license agreement, you require reporting on a quarterly basis meaning at the close of whatever quarter you decide if it's a calendar quarter, thirty days later, they're supposed to send in a royalty statement, and generally those are then input into – obviously computers are the best way to keep track of the royalties, and then ideally setting up an accounting system.

Now, there are some very elaborate licensing systems out there, contract management systems is what they're called that can be very complex and detailed that will do everything from do your database relationship management, and will track everything from your initial correspondence through your deal memos, all the way into issuing your contracts, setting up your royalty databases and following along with product approval and everything.

But, typically, those types of systems are something that are used by larger companies.

Michael: How would I know if an agreement I'm offering is a fair one that is industry standard and not unduly slanted to the other party's benefit?

Rand: Well, licensing deals really come down to negotiation and it's win-win. There really isn't any industry standard. There's averages and royalty rates and things like that, but at the end of the day, and I talk about this in all of my audio products when we get to contracts, and it's an important point to keep in mind.

It's really about a win-win situation. Typically when you negotiate a contract, what you're looking for is to form of partnership, and when it comes down to how much royalty they're going to pay, the guarantees, monies to be advanced. That's all negotiated, and what's fair is something that's agreed to by the parties that had been agreed to through good negotiations through creating a positive relationship.

Beyond that, I wouldn't rely too heavily on industry averages because really when it comes down to it at the end of the day, no two licensing agreements are ever the same.

Michael: Here is a good question. Rand, my concern in working with and licensing intellectual property, especially from smaller unknown companies has to do with a best practices process for identifying and determining who actually owns the property.

Is there a way short of spending thousands on legal fees to protect yourself from lawsuits, to know that this person really owns the intellectual property?

Rand: We're getting some good contract questions. I had mentioned earlier. There's something called warranties and representations. Let me step back and say this goes back to that part about looking at the three key issues that you need to learn about licensing. One of them is doing the due diligence to make sure you understand who owns what rights, but also within the contract there's something called warranties and representations.

That's just a fancy term for saying that if I have intellectual property, and I'm licensing it to you, I'm going to give you certain guarantees such as I own the property, I have all the rights, there's no third party claims, things like that.

I'm also going to give you some warranties that say if for some reason some third party steps forward after you've got a license and says, "No, no, you're in violation. You can't do that because they don't really own the rights to it. I'm going to handle all the legal costs associated with that." It's called representations and warranties. It goes inside every standard licensing contract, and it's to address that very issue, to make sure that if you acquire a license from somebody, some organization, that they in fact do have the rights to it or own it or can do what they say they can do with it.

In event you're approached or sued by somebody else who says, "No, they didn't have the rights to do that, that licensor will then take responsibility for handling that legal situation.

Michael: Rand, so many brick and mortar businesses are clueless when it comes to marketing their businesses online. I know there has to be an opportunity for licensing with them, but I'm stumped as to what and how, where to begin.

Rand: Good question. The answer is yes. That's a distribution channel. I think it goes back to one of the discussions on an information product where you could approach a brick and mortar operation. Now, this is kind of a hybrid license because really what you're doing is you want to set up an internet or online presence under the brand of a brick and mortar operation for the purposes of I'm assuming selling the products that they sell.

It's a license distribution deal. Licensing covers many things. In this case, it would be a license distribution deal. It says you have the rights to online distribution using our name for the products and services. So, yes, that can be done depending on the nature of the company. By the way, there's many companies out there that don't handle their own online stores and things like that. They license is off to some third party who manages all of the internet components of it. So, that is a fairly common strategy.

Michael: What steps should a software designer take to protect their intellectual property?

Rand: Well, I think this goes back to an earlier question, and really software is something that can be protected under copyright, and that's generally the predominant intellectual property registration that's done for software is copyright.

Now, in the case that they created a brand, of course, they could do a trademark, but typically, it's a copyright. In some cases, the software isn't even registered with a copyright because they don't want to divulge the source code, in which case it's just kept confidential and those that receive the software are under a license agreement not to duplicate or resell that software.

Michael: Rand, how do you overcome a prospect's reluctance to license something they believe that they can create for themselves or they claim they don't like to pay royalties?



Rand: Well, I'm not sure that you can necessarily overcome a third party or a company that says, "Listen, I'm not going to pay you royalties." Some companies are very understanding or they like licensing, and others don't. There are many companies that have a policy of not licensing anything, and there's other companies that have policies of licensing a big part of what they produce. So, it just depends.

I think if you run into a situation where you have a company that doesn't do any licensing, I don't think that there's really anything that you need to be discussing with them because that happens to be their position, and I would recommend that you just move on and find a company that is interested in licensing your intellectual property.

Michael: How fast can we get a license?

Rand: You can get a license in a matter of hours. Let me qualify this. You can get a license in a matter of hours or months. Now, when we talk about getting the rights to intellectual property, in many cases, I've worked deals where you submit a proposal. You go back and forth, and in the course of a week or two, we've agreed on the terms. So, it's created a deal memo.

So, in theory, we've accepted the deal and so now we're ready to move forward. Now, we've technically haven't acquired the licensing rights until what's called the long form contract, but licensing agreement, and in my audio programs Licensing Mastery, Intro to Licensing and the others, I have copies of those long form agreements. Until that agreement is signed, you don't officially have the licensing rights, but you have the ability and there are circumstances where you can negotiate the terms of the deal in as little as a few hours.

I've also worked on deals where it's taken years to put those deals together, which is not uncommon. It runs the scale, and it all depends on the type of intellectual property. Some movie deals take a long time. Some TV deals are shorter. Some inventor deals can be very quick. Music deals could take a little longer. Book deals might take a few months. It all depends on the nature of the organization, what kind of rights you're asking for. Is it a complex deal? Is it a simple deal? And, how many other licensees are involved?

Michael: Hi Rand. What are things that are not possible to license, and anyone is able to use freely? Also, is there a secret insider source for finding expired licensing stuff or is it the same as public domain material?

Rand: Good question. Anything in public domain doesn't require a licensing agreement. Public domain by its very nature is just that. It's available for the public.

Here are some tricks. If you're interested in finding licensing deals that are expiring, and you want to take a look at those rights, any private company, you're not going to be able to find out about, but if you're interested in finding licensing deals that have expired, every public company reports those licensing agreement.

Here's a trick for people. If you ever want to research licensing, you want to find out for whatever it is – pharmaceuticals, consumer products, electronics, you want to see some actual contracts and find out what's actually being paid by the big companies, go search the SEC and EDGAR files of publicly traded companies who have to divulge all information because they're public companies.

Well, part of the information they divulge which is in the document what's called 10Ks, the prospectuses and the other documentation required to disclose are licensing agreements and terms of those licensing agreements.

So, there's many companies out there that do nothing but research, and you can do it now online through the internet obviously because you have pretty good search tools that can go through that. That's one way to discover licenses that are expiring. It's because the nature of licensing. It's not like there's a central database or anything like that that talks about expiring licenses, but there are ways in which you can find out if license are becoming available.

Of course, contacting direct, sending an email, finding out what categories are available, that's a possibility to learn about it. Again, it's a very fragmented market. So, a lot of it is just doing some due diligence, asking some questions, sending some emails and finding what's available.

Michael: Rand, what would be a good example of relatively simple licensing scenario that the average but determined Joe could arrange in just about any local, small town economy to get into profit as quickly as possible.

Rand: Good question. Well, I think if you're looking for a localized license, I think it goes back to the examples we shared earlier about swimming pool company, but look around, and I shared this earlier about a restaurant that I'm working with in the New York area. There's a lot of locally established businesses that have a good name, that have been around in the community ten, twenty, fifty, a hundred years and have just focused primarily on what their business is.

Let me use restaurants as an example because they're a good offshoot. There's many restaurants that have been around forever and established a good brand name. Restaurants by their very nature have a lot of potential licensing deals. They have recipes, sauces, foods – these are all opportunities that exist.

If you're looking for a quick license and you want to get into the food business, and it's a localized market, why not find one of these restaurants that's been around forever, has a great reputation, is very popular. They may not be interested in developing their own products and selling them. They may have them just in the restaurant, but they've never thought about taking them to retail.

Great opportunity because often times in local communities, the big retail chains that are there have room or are looking for local community products because that's what people are looking for today are local products. So, you want a quick turn, go find a restaurant that's been very popular, find out what they've been doing with their recipes, their sauces, their special dishes, and go in and do a licensing deal, and then turn around and do some quick mock-ups.

Go to a couple of local retailers and say, "Hey, this restaurant's been around. Would you be interested in carrying the barbeque sauce or the hot sauce or the chili sauce or the prepared foods?" You may be surprised to find out that they would love to carry those because that

restaurant is well known, and they feel that there could be a real good market for shoppers to come through who have enjoyed eating at that restaurant and would now like to purchase some of the sauces or prepared foods that are being created from the recipes of that restaurant.

Michael: There is a restaurant here that is just kicking butt called Phil's Barbeque. It started in a tiny little house, and they just opened up their second restaurant. The line out the door, two hours, and I don't think they have a barbeque sauce that's distributed locally here in San Diego, but let's say I negotiated a licensing deal to market their barbeque sauce. What are you going to tell me as my licensing coach, what am I looking for? Am I looking for exclusivity for a certain time period where no one else can market the barbeque sauce?

Rand: Yes, there's a couple of things that I would advise you on. First of all, find this restaurant. Ideally, you would like to get exclusivity on that barbeque sauce.

Michael: Let me ask you this first – sorry to interrupt. Before I discuss it with them, would I do a non-disclosure agreement so they don't steal my idea and just market their own barbeque sauce?

Rand: Well, not really because what you're talking about is going to them and saying, "Look, I'm interested in going to retail with what you have." Remember, especially if they're a local restaurant operator, and this really holds true for any number of restaurant operators.

If they were going to go to retail with their products, they would have already done it, especially if they've been operating for twenty, thirty years. You've got to remember that it takes time and money and energy for them to go. So, if they haven't done it by now, then they aren't going to do it.

Second of all, you coming to them and asking them, say, "I'd be interested in licensing the brand." This is a great opportunity for them because this is found money. This is found money, plus you're going to be managing an aspect of their business that they just are not prepared to do.

So, it's not a question of you walking up to them and saying, "You know I'd love to take your sauce to retail," believe me, they probably have already thought about that, but they just don't have the resources to do it.

Now, they may not have thought about licensing. So, if you went to that restaurant and you spoke to them. Suddenly, they would go, "Wow, I hadn't thought about it. What is involved in this licensing? How does this work?" There's your opportunity.

What I would advise you to do is talk to them, "I see you've got sauces being prepared." First of all before you walk in there, just don't walk in there and say, "Licensing," and then not have a plan. Understand who the restaurant is. Take a look at the local retailers and see if there's room on the shelf. You can do some due diligence and find out if there would be some interest.

Then, when you go to that restaurant, use this idea of barbeque, or obviously a big part of barbeque is sauces. You've got many different variations of sauces. Then, in addition to barbeque, maybe they're known for their barbeque brisket, or their chicken or whatever their menu has created could be something that they're known for.

So, when you go in there, have a plan of what you would like to do. Then, also some of the things that you have to look at – do they have a well known brand name? Is this name of the barbeque place been seen on the sign for the last thirty years? So, is it well established?

Also, have a plan that says, "Look, if you haven't created the recipes, I'll help you," or maybe they have the recipes, but they need the formulation, or maybe they bottle it up. So, think about that.

Then, the second thing is once you've talked to them about that, understand what products you'd be interested in. You obviously want to talk about exclusivity for the local market place, and you'll have to define what that market place is and the distribution channels.

Then, the third thing that I would also advise you to talk to them about is if this thing can be successfully built and we can reach certain milestones here in the local market, then we would like the rights to take it out to broader markets, to a regional or nationally. You want to be thinking about where this could potentially go.

Now, you start locally, build regionally, and eventually go nationally, but you want. I have the options if you will in that licensing agreement that will allow you to automatically move into those areas, if you're successful with selling the sauces into retail at the local area.

Michael: So, if I'm going to negotiate something like that, I'm going to certainly have an option to do my due diligence and to do a test.

Rand: Oh, absolutely, that's a good point, too, and how it starts off is again, this is a perfect example. You may go into a barbeque restaurant. You say you'd like a license. "Great, I'd like to start off with an option on the license agreement. Let me test a few of your sauces." I get them into retail and we have a successful launch over the next six months. We're able to really establish this thing, and the retailers are happy with it.

Then, what we would like to do then is expand that into a more permanent license.

Michael: In option discussions, do we talk licensing fee before we show them our patent that we're able to expand and really get them to distribution? Do you talk money and options for it?

Rand: Personally, if I were negotiating it, I would talk the licensing fees now, early on before you really have a success because obviously, you could negotiate for a lower royalty rate and a lower amount of money if in fact there's any money upfront. Here's the inside negotiating tip for your listeners.

Where you want to do the negotiations, especially if it's a new license and especially when it relates to money is you want to do it early before the marketability is proven, before you really see what it could do because there it's like anything else. It's supply and demand. Demand is low. You don't

know what the value is. So, if you go in and this restaurant may not have even thought about licensing, your offer of say, "Listen, no money down right now, but I'll give you five percent of everything we sell. You may be in a position to get that deal as opposed to testing the market, coming back and saying, "Wow, we sold \$100,000 worth of this product."

Then, they may turn around and say, "Well, wait a minute. I want you to give me some money upfront because obviously this sells."

Michael: What do you sign with them if you're in an option and that's a see what's going to happen? What do you sign with them to lock in that nothing done at five percent? What kind of agreement?

Rand: That would be part of the licensing agreement. The licensing agreement actually will be structured as a two part agreement. The first part of it would say, "Okay, here's a licensing agreement. Whatever we decide would run for two years, and here's the way that the licensing agreement will be built. The first part is the option, and what that option does is it gives us the rights for a six month test window that if we're able to accomplish X amount of sales, then it automatically triggers an extension of this contract for the next two years in which we have the rights to produce and sell these sauces in the local markets for the next two years, and for the rights to this contract, we're prepared to offer you five percent of everything that we sell."

Michael: Got it, so it's a performance, it kicks in if you meet the performance.

Rand: Right, it kicks. We're going to do a test market. If the test market sells X, then we're going to give you five percent of everything, or maybe you do the option and say, "Look, if we sell \$25,000 worth of product, then we'll give you \$1,500 for the rights for two years for a broader market," something like that, but you want to negotiate your financial terms upfront before you get into the market because that's where you're going to get the best financial terms.

Michael: That makes sense. Now, what about okay, let's say I was to do that scenario. Give me some strategy in thinking about a

cause where let's say I build this thing, and I acquire the license. You meet the minimums, and it's really going well, and then my contract gives me the ability to sell the license or to sell it. Is it important to think about selling out with a licensing deal when someone negotiates one? Let's say you build it, and you want to get out from under the license. You want to be able to sell the license.

Rand: It's called an assign ability clause, and generally, most deals if it's with a larger studio for example will have non-assign ability immediately. If you have an offer to sell the company, you're looking to get out, then either the rights go back to the licensor – the person who owns the intellectual property – and you pay them whatever you owe them, or if they give you the rights to assignment, they're going to want to have an option in there to not only accelerate what you owe them, but to renegotiate the deal for the new owner.

So, it all depends on how structure that, and it depends on what side of the desk you're on. If you're the licensee that says, "Gees, if I build this up, and it really gets going. Well, I want to be able to sell this out." You might ask for an assign ability clause which allows you to be able to assign this license to in the event you sell the company. On the other side, you maybe the licensor who owns and says, "Well, wait a minute. I don't want to let you assign it without my approval or renegotiation," or something like that.

Again this shows what goes on within the context of a licensing agreement, how important it is to think about it. There are many scenarios like that, and if you're thinking down the road that you want to be able to have that ability to move out from under it through a sale or acquisition, then that's something that you have to put into your licensing plan as you think about structuring your agreement.

One thing to keep in mind about agreements – don't think of your licensing agreement as just a contract of terms. What it really is really an extension of your marketing plan. The way you build a successful licensing agreement is to think about where you're going with the marketing because if you think about what's in the licensing agreement, it's a performance agreement. What's included in that agreement? Well, think about it.



It's all marketing. It's what you're projection you're going to sell, how many years you're going to run it. Is it going to be based on unit sales, volume sales? What distribution channels are you going to go into? How are you going to promote it? Where is it going to be sold? What are the options to renew and extend the contract? Then, ultimately, if the business gets sold, what's my exit strategy?

Well, these are all components of a marketing plan, and that in essence is what you're licensing contract should be. Many people don't approach it that way, but for your listeners, when you think about it, licensing is marketing. Licensing is a component of marketing. When you think about a licensing contract, it really is your marketing plan, but it's constructed just a different way in a different format, but ultimately, it's got to reflect where you think you may be going with your marketing.

Michael: Now what product of yours covers all this?

Rand: This is covered in Licensing Mastery, Licensing Leverage, are two key products that you need to get. If you're thinking about this as a strategy, then I would encourage everybody to purchase those. Licensing Mastery is a four hour course. This is a very thorough advanced course. So, if you want to get into the technical aspect of licensing, that's the course you want, and it takes you through all these contract terms, by the way.

So, you're going to get an understanding, and knowing that's how you structure the license. The difference between Licensing Leverage is one is which we're going to be applying strategy. Licensing Mastery is about the technical nuts and bolts of how you do licensing. This is going to take you through so you understand the foundation.

Licensing Leverage says, "Okay, we understand licensing. Now, how do we use it strategically? How do we build a business, launch a business, sell a business, finance a business?" That's what Licensing Leverage is about. So, it's taking licensing and saying, "Look, you can go beyond just the acquisition of an intellectual property. This can take your business into different levels."

So, we talk about financing. We talk about the exit strategy. We talk about attracting share holders, building value. That's what licensing leverage is about. It's about how you open up, take advantage of other people's resources and ultimately look to use intellectual property to either expand, grow or sell your business.

Michael: Next question, Rand, I have a method that can turn knowing how to do something into doing it automatically in less than two minutes. It's about incorporating skills fast in a complete unusual way that everybody can do. It's very simple. The problem is I have the idea that it can not be patented. This was confirmed by someone that has experience in the field of protecting intellectual property.

If that is the case, how do I go about protecting it as much as possible and make the best profitable possible from it?

Rand: That's called know-how. It's called trade secrets. Know how is having a process, procedure, system in place to take information and it's either for information delivery, teaching methods, systems, whatever the case is. It's called know how. That is intellectual property.

The difference is it's non-registrationable. It doesn't get registered. In which case, if it's a proven method, and you're looking to use licensing to allow others to use this method and teach it and deliver it and collect money on it, then it's all captured under a licensing agreement.

Now, the licensing agreements for know-how are a little more extensive than say for a patent or a trademark or a copyright because they also include a little more extensive non-disclosure meaning you agree not to disclose this information, mutual confidentiality meaning that as part of the non-disclosure you'll keep this information confidential, and most important a non-compete clause that says, "That as part of this licensing deal, I agree I'm going to have the rights to use this know how to deliver this know how make money on this know how. In the event that we terminate this licensing agreement, I will not compete for ten years, fifteen years, twenty years, within five miles, ten miles, twenty miles, whatever it is."

Those are the pieces that are put in place to protect what's called know-how or to secure the rights. Now, I have this in my business process licensing seminar that I put together. It talks about this very issue of know-how information and how you use licensing and how you would, if you will, protect to secure the rights under licensing agreements.

Michael: Another question, you may just be repeating yourself here. Where can I get sample agreements for licensing IP?

Rand: I have all types of sample licensing agreements in my various audio programs. Introduction to Licensing has the basic licensing contracts. Licensing Mastery has a little more advanced contracts in it as well as non-disclosure in it. Business Process Licensing focuses on know-how licensing agreements. University IP talks about technology and patent licensing so, all these products have these contracts available.

I will tell you as well. The contracts, certainly you can do research and find examples of the contracts online. The advantage of my program is the fact that I'm there being able to teach you and take you through these contracts, so you understand the ins and outs of what all of these clauses mean.

Michael: Rand, it seems like such a tough high-level sell. You not only have a product creation challenge that surpasses mere ebook selling to consumers, but then there is the legal aspect which is daunting in itself. Where do I get the nerve to do something so outside the box?

Rand: The nerve to license. Well, there isn't any nerve to license. It's just a question of taking action. It's not as daunting as most people think. Most people just get intimidated by the thought, "I'm dealing with a very large organization," or "I'm asking for a lot," or "This is a big deal."

What they need to do is put that aside. All you're doing is asking a question. Do you license or can I get the license or what's required of the licensing? The beauty of licensing intellectual property is it's accessible to everybody and to anybody. There is so much professional expertise that's available to support you. My focus is as a licensing agent or

For more advanced training on licensing, go to <http://www.randbrenner.com>

licensing consultant, representing my clients whether they be companies looking to acquire licenses or ventures licensing out.

In that process, whether we're working with a big large multi-national entertainment corporation, a distribution manufacturing companies, or small operations that are looking to license, my expertise is there as their in-house guidance, their in-house licensing person, their consultant, whatever it is.

The same exists for everybody out there. Don't be intimidated just because it seems like it's a very large market. I talk about this in all my products. It's simply a question of knowing the knowledge, licensing, licensing intellectual properties, and asking the right questions. Once you have that, and once you start to get the answers, you can tap into the resources that are available to get you the right kind of professionals that are out there.

Michael: Rand, how do you handle highly regarded and trusted people who privately show themselves as untrustworthy and unreliable well into the deal? I'm sure you've encountered this in some of your licensing deals.

Rand: There's a rule of thumb that says a bad deal is worse than no deal at all. The lesson learned in there is if you are in a situation negotiating, and it is a situation where it looks very heavy handed, and the deal is against you or you're not feeling comfortable in it, don't do the deal. It's that simple, just don't do the deal.

Regardless of what the money is on the table, I can assure you if you do a bad deal, if you get involved with a company that you are not happy with, and it's a one-sided contract, you are going to be in for a very, very long tough time. There is nothing worse than getting into litigation and legal battle as a result of having done a bad deal. So, just simply stay away. Believe me, there's another deal around the corner.

Michael: What effect will globalization and cross border issues have upon the effectiveness of your licensing program?

Rand: It's actually beneficial to licensing. The beauty again of intellectual property is it operate all around the world. The fact that there's more free trade flowing, the fact that the borders open up actually work to your favor, and you can see examples of this is licensing deals are being down now that encompass all of Europe because Europe, through its EU, is trying to create more commonality between the countries as far as the way goods and services are distributed and sold.

The same things holds for the United States, the ability to work licensing deals that allow for multiple territories as opposed to one for the United States, and one for other countries. So, all of these transitions that are going on in the global community, all the changes of the trading laws, all the opening up of borders. This all works to the benefit of licensing.

Michael: Is simply publishing my work online in print enough to protect my property? What other steps really need to be taken? Number two, I've heard people like Jay Abraham say things like, "Get the rights to everything, and then figure out what to do with it later." Can you give some examples of how a regular person can profit from intellectual property licensing?

Rand: I think the examples we've been talking about through the course of this audio teleconference, but anybody can profit from licensing. Now, the idea of going out and getting the rights to everything, well, in some cases you can, but it's always a situation where you may find a license. You may find a small publisher, maybe a new book coming to market. You can approach them and say, "I'd like to license the rights to everything."

Now, if you think about that, it's not always going to be a situation that's going to occur. Generally, most of the time in my opinion, it will not because if you're going out to acquire the license you could be, but most people are not going to be manufacturing toys and house wares, and gifts and food and beverage and everything. It's just not something that's practical as far as the strategy goes.

Unless you have elected to set up a situation where your master licensee where you agree to acquire the intellectual property rights through a licensing deal where you're the

master licensee, but you have sublicensing rights, and you've agreed to license it and pay them a fee.

Now, in that case, that's different. Then, you can acquire the licensing rights, but I want people to be clear because as I talk about this, there's a difference of opinion with others who have talked about this, and that's fine. Nobody is ever going to agree on it, but in my experience, it pays to be clear in understanding what you're going to do. It's very difficult, as I said earlier just to acquire licensing rights to every category out there, unless you plan to relicense or sublicense them out, and anybody that generally is working in licensing is going to probably want to have an understanding and knowing that that's what you're going to do.

Anybody can profit from licensing, and again as a start-up to establish business, if you see an opportunity, and I think we use the opportunity even from the local restaurant in your backyard, if you see that there's an opportunity here, you could simply look at the restaurant, maybe you know a gourmet store or something in your backyard, and you can go to them and talk to them.

Say Phil's Barbeque has been around for twenty years, and their barbeque sauce is really good. Have you thought about selling? They say, "You know, gees, we'd love to carry it, but they don't sell it." Right there, you've created an opportunity. So, licensing is open to everybody. I think we talked about this earlier.

There's no limitation. It's just a question that you understand what licensing is. If you see an opportunity, it's a question of making a phone call, so you even as you listen as you think, "Gees, I don't have the skill set or I don't know what to do," it's just asking a question – picking up the phone, sending an email, taking an action, "Do you do licensing? Is licensing available?" Something to that extent.

If it is, and the answer is yes, or it's positive in some way, you say, "How can I take advantage of it?" Well, you just found out that licensing is an opportunity. You say, "Well, gees, what's the next step?" You now know you have access to experts such as myself and any number out there.

Then, you're in a position to simply start finding those experts and saying, "You know, I've got an opportunity to license them. I need help. How do I go about doing it?"

Michael: What are the pros and cons to an exclusive versus a non-exclusive agreement, and are there any basic rules for when you should choose one over the other?

Rand: Well, if you own the IP, it's your copyright, trademark or patent, typically, you're going to want to do non-exclusive deals. The reason for that is if you're licensee every goes bankrupt, you'll have a tough time getting back your rights, if it's exclusive because exclusivity is looked at by the courts as an asset of the company. If they go bankrupt, they're not going to give you your rights back. They're going to use that to settle creditors' claims.

So, you as the licensor, you're the owner of your IP. You're generally going to want to go non-exclusive, unless there's due diligence done, an agreement done between the company in terms of giving them an exclusive that you feel they're stable and they're not going to have any financial problems.

You, on the other hand, if you're looking to acquire rights, you're looking to acquire IP rights, generally, obviously, the licensee you would like to get exclusive rights so that you can have those exclusively and nobody else can acquire those rights. So, those are the pros and cons. It's a give and take. It's a negotiation process. There's not clear cut answer as to when and how it should happen.

I can tell you for example, if you were to go the studios, the movie studios, TV studios, their typical deals all run non-exclusive. Many of the sports franchises run non-exclusive with the exception of you being a very large multi-national company who can guarantee them millions of dollars, in which case you can get an exclusive license.

Michael: How can the owner of the intellectual property audit all those transactions to be assured he or she is getting the proper credit and percent on each sale. It seems to easy for the seller to underreport sales, thus stealing from the IP owner. What controls can I put in place or in place to protect the owner?

Rand: Good question, within the contract, there are what's called audit rights, and if you own intellectual property, and you have a license agreement, those audit rights give you the right once a year to go in and audit the books of your licensees, and that's mean you can go in and verify the statements that they sent you in fact match their invoices.

Now, you yourself don't have to do it. There are what's called royalty audit firms out there, and there's many of them, and they come in all shapes and sizes. Many of them are divisions of large accounting firms. Others are independent.

Typically what happens is if you have a fairly sized of a licensing program, you're going to hire this audit firm, and once a year, you're going to send them out on the road, and they're going to do the royalty audit.

Now, it's all stipulated in your contracts that in the event that there's an underreporting, they're going to pay you what's owed plus a penalty on it. So, it's all part of your license agreements. The fact that there is rights to audit, that you can audit it once a year, and it even gets so details as to say that you have the rights to come in and audit any day, Monday through Friday between the business hours, and that you only have to give three days notice, and it can be yourself or it can be an audit firm.

So, it's well covered, well documented, and it's an area of licensing where you have lots of great third party professional resources that you can call on to make sure as we say in the entertainment industry that we keep our licensees honest.

Michael: Rand, what steps would a small book publisher take to license its children's animal or fantasy or super hero character?

Rand: Good question. This is also a real popular category. Books, especially children's books are a source of many, many great licensing opportunities and really what the steps are for a publisher to really be able to affectively license is first and foremost the books have to be in distribution. People have to be buying them and reading them, and that's the most important point to remember is to get that customer exposure.



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So, if you've got your book published, maybe you're distributing it online. Perhaps you got it at retail, whatever the situation is, what you really want to do is build up that awareness.

Another important point for book publisher, get a website. It's very important to have a website because it really enhances what you're doing with the published title. It gives you an opportunity to flesh out the characters. It gives you an opportunity to build a database of customers.

Membership to the website could include things such as special stories or games or things like that. So, that's really the second step is get that website put together.

The third step really in publishing is you need to really lay out from the character standpoint what characters are the key characters in the book, and a little bio on the characters. It's very important in licensing to really have an understanding of how the characters interact because that's where the ideas from licensing come from. Be able to reflect who these characters are, and what these characters offer.

For instance, you may have some characters – let's say you have an eco-theme, and they're very green and each one of them represents a different aspect of the environment. Perhaps, it's the wind or the rain or the weather or something.

So, understanding where these characters derive from also helps to identify what types of product categories or products are best to license around them because the ideal licensee for any type of characters are ones that can really build products or create products that really reflect the essence of what the characters are.

Then, the next step I always recommend is if you have a website, put up on that website a tab that says, "Available for license." That's important because people need to know that you have something available for license. It's also a great way to get exposure.

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You have to remember too that there's many, many companies out there that are always looking for licensing opportunities and every so often, they're using the internet as a good search tool for that. So, having yourself available and accessible via your website is important – social media, blogs, anything like that, also a great tool for licensing your book.

Then, ultimately a bigger step for you if you'd like to get more exposure is to consider going to some of these trade shows, perhaps the licensing show or the toy show where you can really meet these companies one and one and make presentations, and demonstrate what your book is about, and it gives you an opportunity to meet the companies one on one.

So, those would be the key steps to taking out a book and presenting it to the licensing market.

Michael: I'm just thinking there's got to be a huge opportunity in character licensing. There's got to be some books that have great distribution and have great characters within the books, but not character licensing developed, no IP on the characters at all. Would you say?

Rand: You raise a good point, Michael, and I talk about this in both Intro to Licensing and Licensing Mastery especially when it comes to identifying opportunities.

There are many, many books that have been published for years out there where there is no licensing. The book has been out for a number of years. It's built quite an audience.

A lot of people see these big book projects such as Harry Potter on the big screen, but they don't remember or realize that those books have been a book series for ten, twenty, thirty years.

Many people look at it and say, "Well, geez, how do I find these opportunities?" I had mentioned this one before. Barnes and Noble, it's more than just a book store. I talk about this a lot. It's an intellectual property warehouse.

So, if you're looking to find that next potential publishing gold mine, you can visit a store like Barnes and Noble and just

visit through the children's section. See what book series have been out there for a long time. You'll find if you do some research in this category, you'd be surprised to find quite a few book series, not only for children, but for teens that have been out there for quite a while that you perhaps have not heard about, but if you do a little research on it, suddenly you'll discover that they sold 500,000, a million, two million copies of this book, and once you get to a critical mass of that 500,000, a million, then you maybe onto something.

I would suggest for anybody that if you do spot these books and it seems to have some legs to it that has a good audience, do some research on it. Find out, is there any licensing? Do they have a website? You may be the one who identifies a trend in the next big book that maybe is right for the screen, and if you jump on it early you could get one of those sweetheart licensing deals where you get in early, you work with the book publisher, and suddenly one day they call you up and say it's going to a TV show or a movie, and you may have struck some gold.

Michael: Right, and if you get the license and do all that research and go ahead and secure the license, if they've got that distribution, hopefully they're going to be willing to work with you to use their customers, their buying customers to sell the character to.

Rand: Yes, you're going to have the added benefit of their distribution. Remember, licensing is a win-win partnership, and I talk about this actually in the licensing leverage audio program about the strategies you can use for licensing, and that's a very good point. One of those is the fact when you become a partner with this publisher, they have customers and distribution that you can tap into.

You're creating a win-win situation. So, if you are the licensee, if you acquire what the toys or T-shirts for this small book, the more successful you are, the more successful the publisher is. So, it's in their best interest to support you and you support them, so you really have an opportunity to access their resources and again, I had mentioned this earlier on, the idea, think of licensing as being able to access other people's resources.

Michael: Rand, I write response driven copy, and I'd like to participate in a success of licensing campaigns I create for clients. In short, I write all the different copy pieces and clients license that copy, if successful, to similar businesses around the country. So, what type of businesses would most benefit from the copy I create that can be licensed out – successful real estate brokers, insurance agent, auto dealers? What niches are hungry for good sales copy? I'd like to write the copy once, and get paid over and over again.

Rand: This is a great question, and this goes back to know-how licensing, and many people don't realize this, but if you're a talented copywriter and you know how to write direct response copy whether it's via direct response letters or websites or whatever, that is intellectual property, and what you can do with that is first of all, you can get a copyright on that.

Now, let me be clear here, that if you are hired by a company to write copy for them, you have to be sure that you are not agreeing to be hired as a work for hire because a work for hire means they own all the rights to what you create, but if you create something outside of that, you create something on your own for one client, then you have an opportunity to license it.

You know, there's several derivatives of this. Not only is there effective copy for direct response. Business plans and marketing plans are two other examples. I'm a big believer you don't have to recreate the wheel. If it works, it has applications in other industries.

So, in the case of doing direct response copy, you've got to remember is that what you've got here is you've got a process that says, "Okay, it's the process of direct response marketing or direct response selling. Now, in practice, I can put this in practice for you through my techniques by adjusting this know-how, this knowledge I've created specific to whatever your products or services are."

You can license that, and there's a number of things you can do. One obviously is you can license the rights to use this particular direct response, and what I always encourage owners of this type of know-how to do is consider doing more

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than just one-off. Let's say you've written it just for direct response mail, but see if you can expand it out to create a whole marketing system around this.

What you can do is you can license it to either for a per use fee, or if you want to get more creative, and you're really confident you can demonstrate results, why not license it on a per sale basis where you would actually participate on the revenue end of everything that is sold off of that direct response copy, or that direct response ad?

The benefits are a win-win situation. First of all, you can offer your potential licensees or clients actually the fact that you've got proven copy that works. You know that if you apply it to whatever, be it information products, beauty products, whatever, it works, and second of all, in many cases, you find many businesses that look at being able to do these kind of direct response campaigns, but they can't necessarily or don't necessarily have the financial resources to afford real talented copywriters, somebody who could really put together a very effective campaign that works.

Well, in this case if you've got the copy, if you've proven it's your intellectual property, you can offer it to businesses, and now you have a win-win situation where rather than having to pay the high fees because certainly if you're talented and experienced you can get a significant amount of money for your talent, now you can offer it in a licensing format where rather than getting paid a fixed fee, you can participate in the profit that's generated as a result of your work. So, it's a very, very innovative and creative application of licensing using your know how in terms of how to write direct response copy.

Michael: There's a lot of great copywriters out there, and the really good ones own the copy. They own the intellectual property, and they may use it for a client, but it may be a past client, and they're probably sitting on a vault of intellectual property copywriting, letters and promotions that you can probably approach copywriters and pick them up for maybe a master licensing deal for almost nothing because I guarantee you they're doing nothing with it.

Rand: What's interesting, and you bring up a great point Michael and I talk about this. I put together Business Process Licensing audio program specifically for this.

Many people are in the information services businesses, the knowledge based business and one of them is copywriters, and if you're looking for an opportunity, this is the beauty of licensing, we're going through an actual hands-on demonstration of how you figure out licensing opportunities.

This little dialogue we have here is exactly how we do it. You strike upon an excellent idea. There are many copywriters out there who are very good at copywriting, and their focus is on writing the copy and delivering to the client. The client makes the money on it, but they have never thought about marketing their copies. They create ads and intellectual property in and of itself to use. So, you, any of your listeners listening to right now, you're looking for an idea, here's one great licensing idea.

Why not go out and form a company that specializes in collecting up and licensing all these great direct response copy that's been created over the years, whether it's copywriters who have created for home products, for services for – whatever the case is.

This direct response copy has tremendous value. It's professional knowledge, and if these copywriters many of them are not of the business mind that understand how they can remarket, if you will, remarket this wonderful advertising or direct response campaign.

You can set up a company that simply acquires the license rights to the copy, and what you can do is then is you can go to other companies and market to companies that are looking for effective direct response but don't have the money to afford bringing in somebody, and you can have a whole library of proven direct response campaigns that can easily be adapted to whatever their products are, and now you're in a position to work out a very innovative and interesting licensing deal on a per sale basis where you can participate as well as the original owner of the ad, the copywriter can participate.

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So, very, very creative stuff, a perfect example of what business process licensing is all about.

Michael: Help me out with this question. Tell me if you can figure this out. How can I use mobile phones as a new source of customers for IP licensing in general or to make money with existing ones – selling, training, and products. Where do you see the trend in this area?

Rand: This is a great question. You know what mobile phones are becoming? Mobile phones are becoming a distribution channel, much like you have retail stores, the internet, catalogues. That's what mobile phones are, and there's actually some very interest opportunities that are evolving very quickly on mobile phones.

One way that you can use mobile phones for licensing is to acquire licensing rights for distribution via the mobile phone channel, that's one that you can go after right away, and that can be done in many, many formats. Just like you have the internet, you have mobile phones. What you can do with that is you can go after rights to sell products over the mobile phone, information products. Mobile phones are ideal for the delivery of information products.

Now, remember what you have to do with mobile phones obviously is you have to adjust the content to be able to deliver over the phone because of the limitation in terms of what they got, but think about what you could do with this. You could license any number of information products that could be packaged up and you can use the phone not only as a delivery channel for specific content that they can receive on a monthly or a quarterly or a daily basis.

You can also use it to promote that information because you've got to remember that in a distribution channel, perhaps let's say instead of selling the intellectual property, you elect to promote through mobile phone and generate sales as a result of those promotions. People respond or text back and generate sales.

So, there's two dynamic ways in which you can use licensing and the mobile phone distribution channel to generate revenues, and as far as products, it's pretty much unlimited

there. Again, the delivery of information about the purchase of the product or the use of the product, and where are the trends in this area? They're only going up. This market is only going to expand and get broader. Keep in mind that you're seeing mobile phones, the functionality of it.

By the way, a third area for intellectual property licensing is content. These phones are hungry for content. They are looking for content providers, so you as a content developer, one of the things you should be looking at is if you own IP content, you should be looking to do a licensing deal with a distributor that distributes content onto cell phone.

If you're looking for a way to get exposure for your characters, if you're looking for a way to build publicity around your books, whatever it is, think about cell phones, think about the ability to deliver your characters as wall papers, as sound, whatever it is. IP on cell phones - cell phones are a great, great channel for intellectual property licensing.

Michael: Rand, as a small business marketing consultant, how can I leverage my intellectual property in order to create a consistent stream of passive income? So, this is a marketing consultant.

Rand: This is a great question. This goes back to what I talked about business process or know-how. As a business marketing consultant, you have probably developed certain processes, procedures, systems that these small businesses can use. Well, that is your intellectual property. It is known as know-how. You've created know-how. You've created systems and processes.

If you've been doing that over a number a years, and you've been applying these systems and processes to multiple clients and they have successfully used these marketing systems or processes that you've created, you have now created intellectual property that you can license to other companies.

Now, some of the other companies that would be interested in this perhaps other marketing consultants, you say, "Wait a minute. They're competitors to what I do," and one of the things that I talk about in the Business Process Licensing



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program is the fact that you know your competitors are also a great source of licensees. They have their customers that they're working with, but they're always looking for ways they can expand and offer them new systems, new services.

By licensing your systems, your marketing systems, that's one way they can do it. You can also offer your know-how through licensing deals to perhaps business coaches. You might offer it to planning coaches. You might offer to business formation, anybody that works with small business and perhaps they work with small businesses in leadership development, organizational development. All of these information providers are also looking for other products and services.

Sales consultants – this is a perfect expansion for a sales consultant. Perhaps they've been focused on sales. In terms of working with small business maybe they specialize in product, or maybe they specialize in information sales, but they can only take them so far, and they may get a lot of requests from their clients about doing some marketing. Yet, they haven't got any marketing system in place – perfect opportunity for you to offer them through a licensing deal the rights to your marketing system, and they in turn would pay you a royalty.

So, this is how you would develop passive income streams off of your intellectual property. This is an example of how you would leverage your marketing know-how for others to sell to their clients.

Michael: Here's someone who has an ebook series, and they ask, "Rand, how could I bring licensing to bear as far as my ebook series is concerned?"

Rand: Well, again, this is interesting, but basically what's happening with ebooks is much like you have a published tangible book. With ebooks, you can again use licensing to sell rights for others to produce and distribute. There's many ways that you can offer them license on the ebook.

Affiliates, a lot of people are out there see these affiliate agreements that go up where you say you're an affiliate and if sales come through your website or whatever, you can get

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paid on it. That's a form of licensing, and what you can do is you can take it a step beyond that, but you can license others to have the rights to reproduce your ebooks. They can hold the master files, and actually build websites in which those ebooks are available for download directly off the website.

So, they in fact become distributors for you. You don't have to maintain and update the website. The advantage when you look at selling information over the internet, ebooks, things like that, if you're doing it direct, you have to maintain the website. You have to make sure you've got the merchant accounts operating, and the downloads and keep track of everything.

The beauty of licensing is you can license that off to third parties to go and do that to track it, and the other nice thing is when you look at a licensing model, if you are selling your own ebook, you are limited by your own activities in terms of how you're going to get exposure for that ebook. You've got to go out and promote it.

Just think about what you could do is if you move from a model in which you were operating to sell your ebook direct to one where you license ten, twenty, thirty, fifty different licensees to market and sell your ebook, and all of the marketing activities they will do and the networks they will connect into. This is an example of the power of leverage where you can license other online marketers if you will to market your ebook, and you can do it in a non-competitive manner.

You can work with many, many different ebook marketers out there who are not crossing over each other, and suddenly you can leverage up on their customer database, their systems, their marketing efforts, and you could move from perhaps working your ebook alone with maybe a ten or fifty or a hundred thousand person database to suddenly licensing now into ten or twenty different licensees who suddenly can leverage up the sales opportunities into millions of potential subscribers based on their various databases.

Michael: Rand, if I wanted to license a sales letter or a marketing piece, how can I find out the specific results the marketing piece is doing, and how would I be able to find out the creator

of the marketing piece. Also, is there a way of knowing that the figures given by the sales letter owner are not false?

Rand: That's always a challenge especially if it's a small private business in terms of evaluating the effectiveness of that marketing piece. Really, it's one in which you have to do your own due diligence. It's much like any other type of intellectual property.

I've talked about this earlier. I reinforce it when I talk about it in Intro to Licensing as well as Licensing Mastery, and it's the importance of due diligence.

A third party verification is always the best being able to go out and get facts and figures that are documented by third parties whether it's Online Analytics or something like that, but a lot of due diligence just comes down to having to go in and having a discussion and get the information directly from the intellectual property owner, and then from there making your own evaluation of what is involved in that.

So, it just comes down to good old fashioned due diligence and then at that point, you have to make a decision based on the information you have whether that information is accurate, and if you feel comfortable in what you have discovered and whether or not it gives you enough information to want to move forward in licensing those marketing letters.

Ultimately in something like this, the marketing letters where you are looking to get some kind of qualification or verification, some time because this is a relatively new category or I should say these marketing letters are a category that traditionally has not been thought about as intellectual property, you are venturing to a certain extent into a new area.

So, you have to take that into account. What I would suggest and one of the strategies you might look at it is knowing that you can verify only to a certain point, is you might want to build something into the contract. Perhaps, you've satisfied yourself enough to say, "Look, I want a formal licensing agreement for you. I'll pay you a royalty on this, but we really want to do a six month window."

Again, going back to a conversation we had earlier, perhaps this is an option situation where you take an option on it to test it out to see if in fact the marketing materials are as effective and can be adapted as you thought, and if so, then you can convert it over into more of a long term licensing agreement.

Michael: I would think that the due diligence part of this whole licensing game will inhibit and get in the way from people getting started. So, what are some solutions? I would think if I was to do it and I don't feel like doing the due diligence because it's just plain work, I would hire a team or hire out an assistant to do the due diligence for me, but what have you done and come to stream-lining the due diligence like on your licensing deals? What are some ways that one who wants to get into licensing but who doesn't feel like doing the due diligence or feels like that's going to inhibit from getting started, how could they get through that hurdle?

Rand: Well, I think one of the easiest ways is simply to have a due diligence checklists, and these checklists are pretty straight forward. It's just a series of questions asking for certain information to verify that everything is in place that you're looking for.

There are parties that do third party due diligence meaning you can hire them to do due diligence. It really depends on the extent or the size of the intellectual property, and how much is really going to be on the table so to speak as far as money and advances and things like that.

In the case of a lot of these marketing materials, I would say the best due diligence – and, by the way for those listening, don't let the word due diligence put you off. It sounds like this ominous word. You hear it kicked around on Wall Street, in securities and things like that.

All due diligence means is you do a little homework. It's as simple as that. The homework can be done very quickly and very effectively. Generally, most of it is done by the way, even in the large licensing deals that I've worked on. It's generally correspondence. It's a letter. It's a checklist that

goes through and says, "I need answers to the following questions."

You go through that checklist. You get the answers back. You review it, and then you just whittle down, find out what answers still need to be answered, and you go back and forth. That's really the most effective way I think for anybody who is looking to get involved in information license, doing something with the marketing materials. I would say you just want to gather up as much information as you can, and the best you can.

By the way, if the creators of these marketing materials have good success and their customers are happy. There's no reason why they wouldn't give you referrals, and allow you to simply ask their customers how well those newsletters have done. You don't necessarily need to know the exact dollar amount they generated in revenues if they feel that that would be confidential, but you can find out did they see an increase in sales, was it significant enough, and were they happy with it.

If the answers are yes to all that, then it's a pretty good indication from your due diligence that should be able to do that. I talk about this a lot in Licensing Mastery, how to go about doing the due diligence. It's not a difficult process, but one that I think that depending on as I said the extent of how large or big that intellectual property is, most of the time, it's just going to require the individuals to do it themselves.

Michael: Do you have a checklist in that one?

Rand: In Licensing Mastery, there are key points for due diligence. It's a standard check list that's a good starting point. Obviously, as you go into different types of intellectual property, there's some additional things that you'd have to add to, but if you get any requests from any of your listeners and they're wondering about due diligence checklists for let's say marketing materials or know-how, I'd be happy to provide an example of a list which you can post up on the website for any listeners that hear these teleseminars and would like to see an example of that.

Michael: Question, Rand, I'd like to train ex-Weight Watcher leaders how to have their own diet coaching business. What kind of trouble would I run into with this?

Rand: I don't know that from this question you're necessarily looking at a licensing situation, but certainly if you want to train individuals who have been involved in a certain industry on a new process or technique, it sounds like what you've got is you've got a know-how on a diet coaching business, and so really what you're doing is you're talking about licensing them on using your processes and techniques and information for this diet coaching business.

There won't necessarily be any trouble that you run into with this as long as you're very clear with exactly what your intellectual property is, how they can apply it and you structure the right kind of agreement that's very clear in terms of what the rights are.

Michael: I think they may mean because they were ex-Weight Watchers they didn't want to get any flack from Weight Watchers.

Rand: Oh, actually good question here. If there's a situation where you are approaching individuals who have been involved with an organization that's in the same industry, meaning you're going to be competitive to them – we'll use the case of Weight Watchers here, one of the things that you have to be clear on is that these former employees or associates are not under what's called a non-compete, meaning that they signed as part of their original marketing agreement that if they ever left the organization or discontinued offering the services they would not compete within the same industry for X number of years.

Okay, so that's the key thing you want to make sure that anybody that was formerly with that organization is not under or had never signed a non-compete. If they have, then what you need to find out is when they signed it, and how long that non-compete is enforced for because if it's still effective, then you will not be able to – or I wouldn't recommend that you offer them your diet coaching program.

Michael: Rand, I have a software program I've developed, and I want to make sure it's protected. How do I do this in the shortest amount of time and the least cost?

Rand: Well, software from its very creation essentially you own the copyright on it. So, from the point of inception that you created it, it's essentially yours.

Now, beyond that, if you want to acquire copyright protection for your software, that moves pretty fast. You simply apply to the copyright office. They have the forms for you. You submit them, and it's done in a matter of weeks, but the nice thing about copyright is at the moment of inception that you've taken it out of your mind and put it on paper or onto a program, it is copyrighted.

The only additional point that you want to make is depending on what you've created from a software program whether or not you'll want to disclose source code and things of that nature. Generally, most the time with software, it is copyrighted, but they elect not to deposit the source code in the copyright office simply because obviously the source code would then be available to anyone.

Software by the way is the quickest intellectual property you could create because it's there from the moment you create it. You're now in a position to license it out and depending on what's required, you can begin licensing it from the moment that you've proved marketability and that the software works.

Michael: Rand, my question is how do I shorten the timeline to getting an offer and creating time urgency to close a licensing deal? I'm currently in the process of pitching a consumer product, and it's taking months to get a definitive answer from the larger companies.

Rand: This is a real good question, and I talk about this a lot in Intro to Licensing and Licensing Mastery because part of the licensing process that is negotiation.

As I said before, licensing deals can be done as quickly as hours to a matter of months or years. The process really is dependent on so many different variables, depending on the nature of the intellectual products, the parties involved, what

elements are being licensed, whether it has to go through multiple departments or parties, whatever the case is.

In particular, if you are licensing a consumer product, and you are going and pitching larger companies, it can take quite a long time. Trying to insert urgency to close a licensing deal especially if you're an inventor and you haven't just from a consumer product or a larger company, it's going to be very difficult.

Generally, the only way that you're going to leverage urgency if it's a movie that's about to break, if there's a limited amount of time, if you have a new technology or product that's time sensitive to the market, if there is a pent up demand that is only a short window of time to meet that demand. Then, you have an opportunity from an urgency standpoint.

Beyond that, if you are in negotiations and it seems like it's taking months to get an answer, that's just the nature of the way the negotiations are going to go. There's not much you're able to leverage on that other than the fact that you're pitching multiple companies simultaneously. That's about the only other thing that I can suggest is that if you are pitching your consumer product for license, you may have one or two or three companies simultaneously in the offering stage, and if one of them comes to the table before the other two, then you may have some leverage to create a sense of urgency from the other companies.

Michael: Rand, if I do a joint venture concerning my SME, would it be prudent to use franchise or trademark license and copyright license agreements to protect myself from infringements?

Rand: Good question. First, just a little clarification because I know sometimes we use acronyms in these discussions. SME is small or mid-sized enterprise, and would it be prudent to use a franchise or trademark license or copyright license agreement?

The answer is yes depending on what you were looking to do. If you're small or mid-sized organization is looking to license out its brand and/or its products, then certainly a trademark license is important. If in fact, you have a business in which



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you have a whole operation that you're looking to franchise – in other words replicate how this operation is run. Perhaps, it's food or services or something like that, such as a postal center or burgers or whatever it is, then obviously you have to operate a franchise.

Real quick point of clarification, franchising and licensing are essentially the same. The only difference is that under a franchise, it's a business opportunity and falls under the FTC's and SEC guidelines as far as offerings go. So, there's much more disclosure. It's far more expensive and time consuming to offer a franchise as opposed to a license.

But in either case, if you are developing brands, if you're developing products, if you're looking to take an operation out into the market, whatever the case is you're going to have some combination of trademarks, perhaps a copyright if you have manuals, and things like that. You will need to have those in place.

I talk about how you get those established in both Intro to Licensing and Licensing Mastery, and it's something that you can do online through the US Patent and Trademark office or in applying to the copyright office, filling out the information and submitting it.

Michael: Well, let's say your product is developed and you have a business opportunity idea that you create an information product, and you're selling that or you want to license it to other people. It's still in essence a business opportunity, but how do we get in the legal area where it's a license and not a franchise?

Rand: What you want to do, and we really want to understand the difference is when you license you are offering an operating concern, so somebody who is already up and running the rights to the copyright or the trademark or the invention for them to basically produce it and sell it and distribute it under their company name.

They may be XYZ Company selling Mike's Business Planning System. That's fine. What you're not doing and what you want to stay away from, one of the big difference in franchising is you're not giving them the brand. You're not

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telling them how to operate. You're not giving them the marketing systems and requiring them to buy from you. That's really what creates franchises.

Michael: I got you.

Rand: A fully captured system in place that requires them to take a position whether it's building out a facility, using their trademark, following an operating procedures, marketing the systems the way they want them to, buying the products or services. Okay, that's a pure business opportunity.

The other side, and again to clarify, the licensing is one in which they're already operating. You are licensing them the rights to your process, your system, your products, your services, and they in turn are taking those under license into their business, and offering them under their brands and through their marketing system and distribution channels.

Michael: Rand, I have a product and I'm thinking of licensing it to a group of schools. I've created it, but I want to make money licensing it to them. How do I go about it?

Rand: Okay, well, again, anytime that you created a new product or a new service, you have to first and foremost make sure it works and there's marketability and demand for it.

Now, if you say that you have a product that you're already out there selling and it now has applications at schools, then what you want to do is you want to approach them with a presentation of why this licensing opportunity would be beneficial to them.

Again, keep in mind there's a big difference. When you have a brand new idea that you just created, the ability to license it is going to be very limited. You have to get into the market to prove marketability, test marketing, selling it to trade shows, whatever it is, and I talk about this extensively in Intro to Licensing as well as techniques and how to create marketability in Licensing Mastery.

But, you want to do is create that awareness or create that proof of concept if you will, and then beyond that, when you go out to license, you really need to have a licensing plan.

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What is the plan? What is the strategy? Who is the ideal licensee and why would they want to license your intellectual property? What are the benefits?

Again, that's something that you need to flesh out, and I have a whole format for that that I teach in the Licensing Mastery audio program on how you develop all this – the licensing strategy, the plan, the presentation, the format.

To go out and license, you have to have a presentation. You have to demonstrate the benefits of licensing and most importantly, you have to understand why are you approaching these schools for license? What would they want a license? What are the benefits for that? So, you have to develop all that information, and those are the steps that you would take and then from there, of course you would have to make the introductions and find out who the appropriate people are to contact within the school, who would review licensing opportunity.

Michael: Rand, I'm a writer, product developer, and I have lots of product concepts, but the trouble is I live in Nigeria. I have no clue how I can get these ideas licensed in the US, Britain and other countries successfully while still living in my country. How can I do this?

Rand: Great question, and the answer is you can do it from anywhere in the world in this day and age. The internet is a wonderful tool for this. If you have written scripts or plays or characters you've developed products and you're prepared to sell them, you can get them copyrighted, trademarked and patented in the United States and other countries around the world right from where you are in Nigeria. It doesn't require a physical presence in this market. It goes to security intellectual rights as well as licensing you can do it right from where you are.

You can license it here in the US. What you would have to do in that case is once you have your ideas copyrighted, trademarked or patented, you obviously have to have them developed and demonstrate the value or the marketability, and you can do that. Again, you can use the online tools to get them into the US market. You can post them on websites. You can sell them in test markets through limited

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offerings on the website – any number of tools that you can use to build value here in the US.

That's really what you want to do, and it's not only the US, but it could be Britain. It could be Europe. It could be Asia, any other countries. There's many licensing programs that I've worked on that emanated from outside the United States, and we never had any physical contact with one another.

In this day and age, and I mentioned this earlier before, Skype is all you really need. Skype video calls will do the trick. In this day and age, you have 3D virtual product development technology. You can create 3D images of your products. You can create online books. You can do interactive books. There's many, many tools that now exist online for inventors and creators can use that do not require them to have any physical proximity or even travel to the different countries if they're looking to license and secure rights there. That's one of the most effective tools that's offered by the internet.

So, if you live outside of the United States, you're a little unsure the process, how to get licensing done, how to get trademarks, copyrights, again, I encourage you to purchase my Introduction to Licensing and/or Licensing Mastery audio programs. They're going to take you through all of what you need to do to both prepare for licensing in the US as well as execute a licensing strategy.

The other thing to keep in mind inside both of these programs are licensing agreements written in English, but the components of these licensing agreements are applicable to any country in the world. You'll find that licensing is something that operates pretty much around the world in the same way based on the same types of contracts.

So, once you have examples of US contracts or English contracts, I've worked on many deals using these contracts that have been translated into other languages both in Europe and Asia with the same parts of the contract in there. The only thing you're really changing is anything that's related to local law or country law in the particular countries and also what the terms are.

In the case of licensing, you may be in Nigeria, and you're looking to license in the US. You have some other things that you want to think about whether you're going to be licensing it through a US company or you want to license it directly out of Nigeria, and again, from a business formation standpoint, when you think about your intellectual property, these are things, again, you can do online. You don't need physical presence in the United States. You can form a corporation, an LLC in the United States to hold the intellectual property rights, and then be, if you will, the licensing conduit to the licensees in the United States.

Michael: Can one from Nigeria create a corporation in the United States?

Rand: You can create corporations outside your home country. Now, in some cases, there's obviously an expense involved, and depending on the caps laws of the particular country, you'll have to take that into account, too as well in terms of the formation, but you can do it.

Michael: Rand, I'm writing a book relating to law and professional standards for a very specific aspect of law. There is a gap in the market here. Is there an IP issue here? It's not a specific product that I own, as such, but an approach to a particular subject area. I don't obviously know much about IP, but would appreciate any pointers.

Rand: It's interesting. Anytime that you create a book obviously the creation of the book you own the copyright to the book. Now, within the book, you may be citing previously developed or written resources or references, but many times, in professional books, technical journals, things like that – the authors have compiled the information into a certain format, or have used the information to present a different way in which a process, procedure or system can be used.

Again, it may be using previously copyrighted materials that are cited as a reference, but it's compiled together within that particular book, and it falls under copyright of the author who in fact created that book.

It's not so much that there's an IP issue. I think that what you would create is a new intellectual property obviously.

The book that you have created, as long as you make sure that if you are using any previously copyrighted information or materials from other sources that they're properly cited as references within your book, but overall, that book would become your intellectual property. It would be your copyright.

So, I think from that standpoint, I don't know that there would be much else that you would need to address other than the fact that if you wanted to register the book for copyright through the US Copyright office.

Michael: Rand, I have a methodology on how to use an outdoor experience to build character and develop leadership. What are some of the steps that I need to take that and convert it into a profit center?

Rand: Great question, and there's a keyword, methodology. A methodology is part of business know-how. You have developed a methodology that probably has systems and procedures in it that you use focused on an outdoor experience. So, you've developed this methodology, and depending on what these experiences are, there's a certain way in which these are all put together. It's called a system, process, procedure. You've probably got some written materials to go along with it, but basically, what it's focused on is character and developing leadership.

So, you have established an intellectual property. Now, if you want to take and convert that, what you really have an opportunity to do is if you've used this methodology over and over again over the course of years and have been able to successfully sell it into client organizations, maybe they're business organizations, individuals generate a profit and have good results from it. Then, you have a methodology that would be licensable.

Again, I talk about this in Business Process Licensing, the way you convert this into a profit center is now you can license this methodology for other organizations to use. Again, it may be leadership development organizations, organizational development, organizations, companies that are looking for ways to expand what services, what information services they can offer their clients.

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Perhaps there are companies that have been focused totally on the internal side of developing leadership, and now they're really looking for an external experience, an outdoor experience to add to that. So, what you can bring to them now is you can offer them a more enhanced or a broader product line.

Again, what you would do as the know-how owner, as the methodology owner is you have to create it into what's called an IP package. So, you have to take the methodology, and you're going to have to document it in writing, and you're going to have to put all these components together in some kind of package that can be transferred because part of know how is understanding that the know-how may have certain processes, procedures, systems.

You may have some of these documented. Some of these, you may just do out of your head or your mind or whatever. All of this needs to get documented and put into a tangible format that can then be offered under a license package, and it's through this documentation that you transfer the methodology know-how. That's how the process works.

And, what you will do then is put together know-how agreements, licensing agreements along with NDA, non-disclosures, confidentiality and non-competes that complete your package. From there, then you need to develop your licensing plan, target who the right organizations are, and come up with a strategy and a marketing program to go out now and start licensing your methodology to other potential licensees who can use this to generate revenue.

Then, from there, your profit center then becomes one based on royalties that are paid by those companies that have licensed your methodology and again, in Business Process Licensing, I talk about the different ways you can structure the royalties and those profits would come in in the form of fixed payments or a percentage of whatever is sold, or revenues that are generated under that methodology.

You're going to have some listeners as I said who are going to be start-ups, and would be interested in learning how to do this business process listening. That's where I've developed the Business Process Licensing audio program.

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It's a great introductory program to get you situated in understanding exactly what Business Process Licensing is. It's really an effective program, if you're a start-up and you're a knowledge based start-up, and you're going to be delivering a process, a methodology, a system, whether it's real estate, sales, marketing, whatever is.

Developing from the get-go, looking at it from an intellectual property can be an incredible time saver for you because first of all, it's going to allow you to really be thinking about development of your information as an intellectual property, and when you start to think about it that way, it's going to teach you how to formulate it, if you will, and document it in such a way that you will be ready to go, and will be ready to license it at a point in time that you really take it out, create some market value for it, have some customer behind it, and put you in a position to really be ready to license it out.

As I say to anybody in every business out there whether it's knowledge based or product business, licensing an intellectual property should always be a core part of a business strategy, and certainly if you're a knowledge based business, business process licensing should be a core part of your strategy.

So, I encourage any listener out there who is interested in business process licensing have some know-how to take a look at the Business Process licensing audio program. It really will get a fast start in getting you prepared to license out your know-how technology.

Michael: Rand, we're contemplating licensing using our name, logo and marketing methods. We have a unique business method providing a professional service in a coffee house. Any ideas?

Rand: That's an interesting concept. So, you want to use the coffeehouse as kind of a gathering place, which becomes more of a retail concept I think, and I think that you're finding more and more a gathering. You have the internet cafes are kind of an offshoot for this.

So, I think as you look at what you're going to do in terms of providing professional services at a coffeehouse, I think what you really need to do is define is this going to be a retail



establishment. It's going to be a coffeehouse running these professional services. What's the name of it?

So, you're going to have the trademark and copyright issue there, or you're going to get a trademark or copyright. Then, from there, if you're looking from the licensing model of this, if you're going to create a situation where you have a retail location such as a coffeehouse offering professional services, you're probably going to be looking at a franchise kind of situation as opposed to a pure licensing, unless you're looking to license just the service component of it to get into coffeehouses who are looking for ways to further expand their services, which is a possibility by the way.

This is a strategy that you could use to get you away from the franchising, where you can go to coffeehouses in which they continue to operate under their current whatever name they are, XYZ Coffeehouse, but now you're giving them the process if you will, the procedures if you will for offering these professional services as part of the offering within their coffee house.

So, that's really two options that you've got for you in terms of that IP idea.

Michael: Now, would you say though if it's a franchise, like a Starbucks, a franchise is going to be limited by what they can take in, right? These will be individual operators, maybe not under a franchise agreement.

Rand: Yes, the franchise would be a pure start-up, so it's going to be a lot more complex and expensive for you to operate that. The other version of it is when you go into the coffeehouse where there are current operators. They may be single operators, or multiple operators. What your other option is is considering licensing them your proven model for these professional services.

In other words, the professional services have to show that it's really attracted customers into the coffeehouse, that it adds what's called incremental revenue and it's worthwhile these coffeehouses licensing your professional service intellectual property package if you will, or IP. Under that model, you would be going to coffeehouses all around the

country, licensing them your business model as opposed to licensing out the whole coffee house business model which is inclusive of building out or operating the retail establishment. That would fall under a franchise model.

Michael: Rand, how do I use the celebrity image or celebrity name on my product and pay them a licensing fee for that? How does that work?

Rand: Celebrity likenesses is a form of intellectual property, and many celebrities both living and deceased have agencies that represent them for that very purpose, the use of their image, their likeness including their name on a product or a service.

So, if that's the case, what you really need to do is find who that celebrity is that you're interested in licensing. Then, you're just going to have to do a little homework to track down whom you contact to find out whether or not you can license that celebrity image. Sometimes, as I said, they have licensing agents that represent them. Other times, it's their business manager or talent agent that would represent them.

Michael: Rand, I have legal ownership of a trademark that I think a bigger named company could leverage, but which has zero public recognition. How can I best license my trademark to them for a profit? Is licensing it to them a good prelude to selling them the trademark?

Rand: Well, again, this is a good question. The real key to any trademark is the value that that trademark represents to the public. Public recognition is key. The awareness, it's called the goodwill factor is how much do people know what that brand means or what that trademark represents. Trademark and brand I'm using here interchangeably because a brand is a trademark.

If you have a trademark that really has zero recognition, public recognition at this point, there isn't going to be much inherent value inside that. So, licensing it is going to be challenging, difficult at best. What you really need to do is to build some value around that trademark through developing awareness of it.

Now, that can take a long time, so depending on what product category or what types of products or services that trademark is going to represent, it's going to dictate what you need to do.

Now, I talk about this in both Intro to Licensing and Licensing Mastery, what the steps are you go through to creating value for your intellectual property. So, in this case, there are a number of activities and things that can be done behind the trademark to build value in the marketplace, and really what you have to do is get to that point where it does have that recognition enough to where it would be of interest to a larger organization to license that trademark or brand.

Michael: My family and I created our own playing card game. We printed up our own design and laminated the cards. Everyone who plays absolutely loves it. How would I license this product to a major company like Mattel? They're the ones who do the game Uno.

Rand: It's a good question because the toy companies are always looking for inventors. People would be surprised, but a lot of these toy companies work quite often with toy inventors.

If you're created a new game, and you've created a prototype for that game, the most important thing is to make sure that it's something that people get, they can play, that you've got some testimonials. Interesting enough, in the situation of a game, you don't necessarily have to have it out on the market, selling it, but what I would highly encourage you to do is to make some prototypes of that game, and share it and get some testimonials and make sure people understand how it plays.

The other thing is that you're going to have to make sure that you can really wrap it pretty tight in a copyright or a trademark, and then the other thing that you must understand is that anytime you go to present some of these larger companies, you're going to have to understand that you're going to operate probably under their non-disclosure agreement, and there's no guarantee that they will take the game or that they won't come out with some derivative of the game. That's always a challenge.

I'm always a big believer in taking a look at the company and saying, "Is this something that's best suited to a large toy company or would I be better off looking for some of these second or third tier companies?" There's many other companies out there besides the largest companies that you would be better served in approaching for licensing your game.

Again, I talk about the steps to licensing out your inventions in the Introduction to Licensing and Licensing Mastery programs. So, if you're looking for more details on how to do that, I highly encourage you to order those products.

Michael: I'm in negotiations with a company to license my product. They supply the agreement, but there's nothing in there about a royalty advance. I don't think it's an oversight. They didn't want to pay a lawyer to draft up a fancy agreement. I have a lawyer and he's going to ask for a signing fee and an advance on royalties. I don't want to blow this deal. What do I do?

Rand: This is all part of the negotiation process. So, to receive a licensing agreement of which there is no advance on royalties is not uncommon. Yes, the licensing deals can be done where there's a guarantee and then an advance payment on the guarantee, but I've also worked many, many deals where there is no advanced payment. There's only a guarantee, and there's even some deals where there isn't even a guarantee. There's only a sales performance commitment that says, "We will commit to selling X number of units within a certain period of time," which is a form of a guarantee, but often times it's operated more as a performance clause.

So, in negotiating these deals, feel free to respond back by asking for an advanced against the guarantee. It doesn't necessarily mean that they will agree to it, but again, you're negotiating and it's not a question of blowing the deal.

The other thing to keep in mind is you have to make sure that this is the right kind of deal. A bad deal is worse than no deal at all. There's always going to be another licensing deal out there. So, you have to be sure that you're putting together the right kind of licensing agreement.

The second thing to keep in mind, too is you have to be realistic about it. Just because you want an advance doesn't necessarily mean you will get an advance. Often times, depending on what stage your product is in, where it is, what kind of resources you're putting behind it, often times it makes better sense from a strategy standpoint to license without an advance, and allow the licensee to go out and get the product commercialized and into the market.

Ultimately if it's going to be successful and it's going to be significantly successful, the advance isn't really going to mean anything. It's really how successful it will be from a sales standpoint. If it is successful, you're going to get paid on the royalties anyway. So, financially it will work out just the same.

Michael: Rand, how can I get protection for an anti-aging herbal remedy?

Rand: This is a good question. An anti-aging herbal remedy is a formulation, and most formulations are not patented. The reason they're not patented is because it would disclose the formulation that goes into the formula publicly.

Formulations are a good example of trade secret licensing or know-how licensing, and the rights are not secured or protected under a patent as I had said, but what happens is this formulation is licensed to a company who is then going to use the formulation to produce and sell the products, and that is handled under trade secret licensing agreements, which are similar to know-how agreements, just trade secrets are structured just a bit differently.

Now, on formulations, sometimes the licensing is done in which there is two formulators who create two parts of it, and then it's sent to the licensee for mixing and delivery. Other times, the licensee is given full rights to the formulation. It all depends on how you want to structure the agreement, and what's the best way to structure that. That is something that you would have to handle directly in a negotiations with the potential licensee for the formulation.

Michael: Does Coca-Cola fall under that?

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Rand: Yes, that's a good example – beverages, perfume companies, pharmaceuticals, nutraceuticals, anything like that where there's a formulation, recipes, sauces. Generally you're not going to find those patented. They're all going to be licensed under know-how and trade secret license agreements.

Michael: Rand, what is the best way to approach a state CPA association about licensing a book for small businesses on marketing and advertising?

Rand: Just approach them. If you're looking to use that organization as an endorsement, or you want to license their name as part of it, it's basically just a question of approaching them and making a presentation.

Again, when you're looking to license them, one of the things that I talk about in both Intro to Licensing and Licensing Mastery is how you go about approaching them, but it's really a question of preparing your licensing proposal, contacting the organization, finding out who you need to speak to or who you need to make the presentation to or who you need to send the initial presentation to. Generally, they'll want to have an initial proposal sent to them, and there's two steps to that.

The first is the initial proposal, which talks about what the concept is and what you're looking to license, and then based on that organization being interested in it, and seeing if that's something that falls within something that they would consider licensing, then the second step is of course to make a proposal with specific terms in it as far as what you want to license – territories, how much you're willing to pay, things like that. That goes into the deal memo.

Again, in both Intro to Licensing and Licensing Mastery, I have examples of the type of term sheets that you would use in making and submitting an offer for those types of licensing situations.

Michael: Rand, I have an idea for an invention. I have a prototype made. The product works very well. I want to patent it, but I don't want to manufacture or market it. I'm not sure who to trust or what is the best way to sell my idea without giving it away.

Rand: Again, if you have something that is patentable, keep in mind what a patent does is it freezes in time a certain configuration of whatever you have created, whatever your invention is.

The second part to that is once you patent it, you've got to make sure that it's marketable and it works. You've got to demonstrate it and prototype it.

Michael: He's got no patent on it though.

Rand: Okay, if you have no patent on it, it's very difficult to license it unless it's a product design that's very unique and something that somebody would be interested in licensing.

I will tell you this. There are ways of licensing product designs that are not patented. That comes under product design work, but it's not something that's particularly common, but it's something that you can do, but you really need to be experienced in doing it.

Also, too, your design has to be something that's really exquisite, innovative, something that's really not out there to be of interest, but one of the challenges you have any time you have something that's not patented, but it's more of a product design, and you're not specifically employed or retained to be a product designer, any time that you present these designs or concepts, the best you can do is ask for a non-disclosure, but there's no guarantee that that's some derivative or something fairly similar to it wouldn't appear on the market after showing it to a particular company and not hearing from them for six months or longer.

Michael: How about a provisional patent? Aren't those pretty inexpensive?

Rand: That's a good question, Michael, and provisional patents are known as the poor man's patent. What it basically does is you can submit a provision patent, a very inexpensive. I think they run about a hundred or maybe a little more, and basically all you're doing is submitting a document that's never opened up. It's just stamped.

Basically, what it does is it reserves your place in line for a year. So, it gives you up to a year to go out and decide what you want to do with that innovation, that technology, whatever it is, and if you elect at that point within a year to file the patent, then you're patent protection is retroactive back to that year.

Now, there's many companies that use provisional patents, and that's as far as they'll take the patent because they're looking to license out the technology, the product, the service to their licensee, and once it's licensed, they allow them to run with it and either take over the payment or the processing of the patent, or the other thing to keep in mind is the particular technology or product may have a very limited lifespan in the market anyway, and a lot of times inventors and companies who use provisional patents just as a way to hold their place in line, but they know once it gets to market, it's got a very limited lifespan because there are going to be a lot of competition or knockoffs that are going to appear anyway, which a full patent would stop.

So, something to consider as an alternative is a provisional patent, and that's a way to buy yourself a year, and also could give you some additional leverage as you go out to present this intellectual property for licensing.

Michael: Another patent related question – Rand, having recently filed my patent, is it necessary that I have my prospective licensee sign a non-disclosure agreement?

Rand: I always recommend having your prospective licensee sign a non-disclosure, NDA, regardless if you have a patent filed, an NDA is just added insurance.

Now, keep in mind, not everyone is going to sign an NDA, and this is something that I address in Licensing Mastery is what happens when a company won't sign an NDA because it is a situation you're going to have. So, you should be familiar.

In many cases, they may have an NDA that they want you to sign, and in some cases, it may be a situation where they don't want to sign an NDA, and what everybody needs to realize is it's important to use an NDA, but understand a patent does not necessarily stop infringement upon your



intellectual property. It identifies you as having rights, but it doesn't necessarily stop infringement.

The best recommendation I can make is to get your legal – the patents and the copyrights and the trademarks filed, use NDAs whenever you can, and be very diligent about your correspondence and what you send out to whom because that's your protection ultimately in the event that you do have infringement is that you're able to concisely document every one that you have presented your intellectual property to.

Michael: Rand, I've created the best short pocket billiard in billiard sports ever, perfect for TV. I think I need an agent or negotiator or someone such as that to navigate the next steps, unless I can do it via a website. How could I find such an agent or negotiator for it's easy to steal? I have videos, one of the first world championship.

Rand: It's a good idea by the way if you've got a product or concept. Definitely seek out an agent or somebody to represent you for presenting it to third parties, especially television shows. That you're just going to have to do some research. I would suggest speaking with some entertainment based law firms or CPA firms. They're always working with a variety of different agents and capacities that you're looking for, and they would probably be a good first resource for you in getting a referral.

Michael: Chicago wants to be the nation's greenest city. How would you recommend working towards that goal by putting together technology licensing deals? It seems like a worthy niche to go after.

Rand: Certainly, green technology is high priority. Cities are very involved with that. Working with the city, there's a lot of funding that is available to the government for these green initiatives. I would say that one of the biggest opportunities out there is learning what some of these initiatives are that the city is working on because this is where you get into the government grants and the government contracting.

There's a lot of money out there that's seeking technologies and entrepreneurs to fulfill the delivery whether it's solar panels, green trees, green buildings, whatever the heck it is.

I would suggest that you could go and find out what the city is seeking in forms of technology, and then go out and research companies that have these technologies.

You can either work as a broker to introduce them into the city deal, or perhaps you can even look at licensing it yourself, and then turning around and getting sublicensing rights, and then licensing the deal perhaps to the city or a third party who will be able to use that technology and qualify for that contract.

Michael: Rand, how does licensing work for digital goods? What if I have an idea for an iPhone app, or figure out a way to make an existing product better for instance? I have an idea for a functional widget that would help PayPal increase its market share. What are the next steps?

Rand: Well, as with anything, you've got a technology add-on. I think what you need to do is if there's some element that can be secured under copyright or patent, I would certainly do that, and then beyond that, what you really need to do is to properly prepare as I said previously before documentation either in the form of NDAs, non-disclosures, non-competes, and make sure that you document correctly all information you send out, and then from there, it's just a question of making a presentation.

Again, if you only have an idea, there's only so much that you can expect from the standpoint of trying to protect that. If you can take it into an actual intellectual property in the form of a patent or copyright, you're going to be in a much stronger position.

Michael: Rand, I work with music artists who have a grander ambition for their music like creating musicals, feature films to music, etc, or even animation series set to music, and it always seems that to get anywhere, you need to basically give up the entire farm up front to even get someplace. Rand, what is your best strategy for being a little guy with a great idea and who has gotten of his butt and done at least something about it to show it's interesting at least, to hold on those valuable rights up front when a bigger player comes sniffing around you and your cool project?

Rand: Well, that's a good question, and it's something that comes up often and I consult with folks from time to time on this. What it comes down to is how developed is your project, and what position are you in to develop it?

If you've got music and you're looking to take it into an animation series, and you're expecting a studio or a TV network to produce it, to spend the money on the production of the animation and distribute it, they're going to want and expect a very large share of the back-end.

When it comes down to try to control those rights everything has a basis in finance. So, if you're looking to be able to control as much rights as possible when you're developing ancillary revenue opportunities, let's say off music such as animation, the question is what are you prepared to invest and develop versus finding these third parties.

You could raise capital through investors. Again, all of it depends on who is going to put up the money to take the greatest risk. At the end of the day, you may have some exciting music and you may have a great idea for an animation series, but if you're not putting up the money to develop it, then expecting that you're going to be able to hold on a lion's share of the merchandise or other back end rights is just not realistic.

You're going to have to give up probably a good share of that, if you're deal is that some third party is going to take the production and distribution risk.

Michael: Hi Rand. I represent a company and am a shareholder which owns the patent on a pollution cleaning solution containing a high content of acids which has been proven to allow the remediation of just about any property. I would very much like to talk to you about licensing this technology. How could we get in touch with you?

Rand: The easiest way to get in touch with me is on this page, there is going to be an email address. You're going to be able to click on, and you'll be able to get a hold of me. Michael will send me the requests for the information. If you're interested in talking to me direct, working with me direct, just go ahead, click on this email address. Michael will forward me the

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information, and then we'll get in touch with each other directly.

Michael: Rand, do you handle syndication for clients or just licensing? A friend of mine has a talk radio show that he'd like to syndicate, and I want to refer him to you if you could help him.

Rand: The answer is I can help him. I don't do syndication work directly, but I do have a number of associates in the entertainment industry who do syndication.

So, if you do have an opportunity there and you would like for me to refer them to an associate that I know that can handle that, again, contact me via the email address, and Michael will send me your information and we will speak directly and get that contact in motion for you.

Michael: Nothing gets licensed until you get it out of your head and down onto paper.

Rand: That's what it's all about. That's what intellectual property is about, and people have to understand by its very nature, intellectual property is intangible. It means you can't touch it or feel it or smell it or taste it, and so when it's intangible, it has to move into some tangible format.

It's interesting, and that's why I've created Business Process Licensing, and I'm actually working on a much more advanced workshop on business process licensing. It's for this very nature.

There are so many service based businesses that are based on professional knowledge, it's understanding how you package that professional knowledge.

You've got to remember, a knowledge based business is built on intellectual capital. That's what we're really talking about is intellectual capital. That intellectual capital has several forms. It has the structural form. It has the human form, and it has the relationship form.

When you put all three of those together, this intellectual capital becomes an asset, and then through strategic capital,

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you have the way of making money on it, and that's through licensing. That's the licensing of it, the leveraging of it to create revenue from it.

Michael: You mention you're working on a very detailed event on how to do this. So, all these questions from people, they've got ideas, and let's say they want to come to a workshop and learn how to do this.

Rand: That's a good question Michael because what's happened is that we've had such a growth in the service based aspect of our industry that there's many, many small to mid-sized businesses out there that are knowledge based businesses that are information based.

We've had many questions here interesting enough around that – everything from outdoor experiences to marketing systems to sales promotions to leadership development, organization development. All of these are information businesses, or what are better know as knowledge based information businesses.

What these companies are is essentially knowledge business services, and what they do is they're operations and their revenues are generated from their professional knowledge much like my business. I'm in the licensing business. My business is about my professional knowledge.

Many, many of these type of professional knowledge businesses have systems, procedures, methodologies that can be packaged up and licensed, and that's what we're talking about in Business Process Licensing is that they have this information and they've been operating successfully with it, and it's been applied to their customers. Basically, what they're doing is they're taking the professional knowledge and they're providing knowledge intensive support for the business processes, if you will, of other organizations to help them either be better leaders, better marketers, better sellers, to find more clients, sell better, whatever the case is.

This is very expensive from small businesses up to very large organizations and multi-national corporations such as car companies that basically develop better ways of putting cars together and license that to other car companies.

So, this idea of business process of professional knowledge is very expansive, but also very valuable. So, what I've found over time, and what lead me to create this workshop is the fact there are so many of these businesses, and now what's happened is many of these knowledge based businesses are delivered by the primary owner or operator of the business, and what happens is you eventually max out. There's only so many hours in the day, and the only way you can expand is traditionally what most people think about is just adding more people or opening more offices, but that becomes much more expensive and much more cumbersome because you're adding more bodies, more expense and of course profit and loss situation is one that becomes more challenging the larger you grow.

Well, the alternative to that is instead of adding in a linear fashion, if you will is one in which you can use the licensing model to expand your revenue base, and it's through the licensing model now you don't have to go and add in a traditional sense bodies and offices.

What you do is you're actually adding partnerships through the licensing model, and the licensing model enables you to take this professional knowledge that you developed and worked and created, this intellectual capital and packaged it up and licensed it to other companies to use that intellectual, that knowledge information to expand their own markets to service more customers, enter new territories, whatever the case may be.

There are many, many types of knowledge based businesses, and it's interesting. There's a lot of people that may be don't even think of themselves as a knowledge based business, but the list is quite an extensive. I'll give you some examples of these knowledge based businesses because probably there's many listeners that may in fact be involved in it.

It could be health and medical services, postal services, consumer financial real estate services, education services, public administration, repair and maintenance, hospitality, catering, leisure tourism, hardware consultancy, publishing of software, database activities, maintenance and repair of office, accounting and computing, legal activities,

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bookkeeping, accounting, tax consultancy, advertising, labor recruitment – on and on and one.

These are all examples of knowledge based businesses that in themselves have developed business processes, systems and procedures. They have developed know-how, and that know-how could be very valuable to other companies out there who are looking for ways to expand or perhaps their sales are tapped out, or perhaps they're just looking for a way to reach other markets.

One of the ways they can do that is through licensing. Essentially what licensing does is allows these businesses to share resources. It allows these systems to say, "Look, we've invented a wheel that roles very good. We can capitalize on it. Now, we can allow others to share in it. We can all participate in the process."

By packaging up this know-how, you can now package it up and do a format where you can go out and you can license it to others, and generate revenue from it. It essentially allows a business to do a couple of things.

First it allows a business to expand. So, if your primary business is whatever it is as a tax consultant or business planning, now all of a sudden you can expand into other markets without the heavy expense of opening directly near the markets.

Second, you can tap into other customers. Third, you're essentially former partnerships or alliances with other companies out there through these licensing agreements, and they in effect may then as a licensee if they find other clients that are not in their geographic territory, they may be able to refer them directly to you.

Which brings the fourth point, which is very important is when you're a knowledge based business use licensing. Imagine how you can expand out your geographic footprint. Suddenly, you're able to move to virtually any territory, any city around the United States because it's not dependent on you spending the money to open your office or hire the people. You use licensing.

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Now, all of a sudden, you've got a footprint that moves from one city to 25 cities across the United States. What effectively happens now is your business model starts to shift from one of you delivering your know-how to one of you managing your licensees, and what happens is now you're in a function where you want to support and build the business to an even bigger level because now instead of only one of you, you've got 25 of you.

What happens now is you can start to really focus on how can I enhance this know-how, these system process and procedures, but more importantly, how can I work with the licensees to support them and promote more clients coming to them.

So, you get into co-op advertising and marketing. So, in essence if you have an effective know-how, you can essentially shift your business model out of having to delivering that into one in which you have 25 or 30 licensees operating, and now, your focus becomes one of how do I build a bigger footprint? How do I deliver these services working with my licensees to support them and drive more customers to them?

So, what Business Process Licensing Workshop is about is about teaching knowledge based businesses how to monetize their knowledge, how to license this know-how that they have created, these systems that they've created, and how to build a bigger footprint, how to take their company to the next level, and more importantly, how to generate a bigger revenue base than they are currently generating because as an operator with know-how you can only build your revenue base so big, but if you have licensees on board now that are operating all around whether it's geographic, nationally or internationally. Suddenly, you're going to have 25, 30, 40 different sources of revenue being generated off your know-how, your intellectual capital. Your revenue model becomes much more significant now.

Initially, people will look at the licensing and see that, "Well, wait a minute. I'm only collecting five or ten percent royalty or whatever it is." Well, imagine right now you're out there earning a hundred percent of a million dollars. What would



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happen if you could expand your revenue footprint to twenty or thirty million dollars and collect ten percent of that?

Well, suddenly you've now double or tripled your revenues without having to expand your overhead or your personnel or anything, by simply using the licensing model to expand your revenue footprint, to expand out in the marketplace, to add partners.

When you look at this as a tremendous, tremendous leverage and monetize this know-how, and there's lots of demand for good know-how that works out there, effective know-how that works, again from everything that we've seen when we talk about through these questions. We talk about leadership organization, marketing, direct response, all of this, this is all knowledge based intellectual property.

For many people, keep in mind that know-how and confidential information and trade secrets are not something that are registered. That's the thing here, and this is why I created the workshop is to get people to understand the big difference between know-how which is not registered versus copyrights, trademarks and patents which are registered.

Now, there is some crossover between them, but one of the things that many companies have to understand is that they do have this intellectual property as a result of this know-how knowledge. It is valuable, and that they really can unlock much more value out of it if they know how to use the licensing model.

So, the purpose of the workshop is really to work with companies, small to mid-sized companies that have this know-how knowledge and are ready to really unlock the intellectual property value of it, to package it up and take it out and leverage it using a licensing model.

So, what we do is we work with companies and these have to be established companies. This is not for start-ups. Let me be clear about that. This is not for start-ups.

Michael: Who's it not for? Who is it for?

Rand: Okay, this is for companies that have been operating a minimum of three years, ideally five years. They've been out there in many of the industries that I've been talking about, and they've been successfully delivering all sorts of knowledge based systems from leadership to management, marketing, sales consultant, real estate systems, organizational development, hiring of employees, training, accounting systems, database management, whatever the case is, just a host of different types of service based businesses.

It's for those businesses that have gone out there and have a system, a methodology, a process or a procedure that they have developed over time, that they have documented over time, that they have deployed to their customers and their customers have seen the results.

They can use their systems to increase their productivity, enhance their leadership, get more out of their organization, whatever the end result is. They've been able to use their systems, their processes over and over again to effectively achieve the goals for their customers.

So, now that they've done that, they're able to deliver it over and over, they have a format that's now ready to be packaged up. That's the kind of organization this is geared for. Those that are just starting out, those that are pure start-ups that may have thought about a new system or have been on the market less than three years, they're not ready for this. This is not designed for them. This is designed only for the companies that have been out there, as I said, at least three years, preferably five years, really have developed a system that we can flush out.

It's a five day workshop. The first thing it begins with is an overview and a quick education on understanding and identifying their intellectual capital, their assets, what are the components of their IP. Most of these companies probably have it. Many of them have it documented. Some may not.

Then, what we do is we work with them first and foremost is taking them through the IP audit. Basically when we talk about an audit is we collect up your know-how. We collect up your system because we're going to put it into a tangible

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format. Again, many of these companies may already have it in terms of operating manuals, procedures, documents they give up, or maybe you don't have it.

So, the first thing we do is we work with them, and show them how to put this all together in an audit, and then once we've got it together in an audit, the next thing that we're going to do is we're going to start to take this information, and then we put it in a format for licensing.

So, we develop it now into a format for licensing, in a format that can be used to transfer the IP. We take a look at what they've got from an audit, and we say, "All right, this is how we need to organize it. We need to put it in this format."

Then, what we do is then wrapped around that we will be the structure of the agreements, what needs to be built around it in the form of agreements, what type of licensing agreements need to be put together on it.

Then, with that process, we take a look and we work with them to identify who is the type of licensee, what type of company or organization would this be ideal for? What type of company would look to be interested in your system, your procedure, your process that would enable them to expand?

Most importantly, what we work with know-how licensing on is how do we want to license it? What's the strategy? There may be a strategy so this is ideally to license out on a city basis, or regional basis, or a territory basis or a country basis.

A lot of it depends; you have to understand it's not a cookie-cutter situation. We have to understand exactly how this know-how is delivered and who the ideal clients are so that we know how we want to set up the licensing strategy from the stand point of how many licensees are put into particular area.

The question of exclusivity or non-exclusivity, how do we want to set up the performance benchmark, how should we price the licensing of this intellectual property, and we talk about value, too. How do you create the value? What is the value?

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Well, again, that's why it's important to work with established businesses that have been out there for three to five years. We can document. They have the financial information to document what has been received financially through these business processes and procedures through client billing and payments, and that is incredibly valuable because there now we're able to document the value of this, and establish licensing prices, if you will, in terms of looking at what type of guarantees, advances and royalty rates should be applied to the particular know-how.

Again, each one is going to be different. No two are going to be the same. Each one has a different aspect, different strengths to it, and so we go through that. So, we put that all together in this licensing strategy, and we apply the contracts to it because we work with know-how agreements and combined with the know-how agreements, we also put together the non-disclosures, the confidentialities and the non-competes.

We prepare those so when they come into this workshop, it's not just giving them standard agreements. We will actually work to prepare those agreements so they have them ready to go.

Then, what we will do is we will build licensing presentations, and they'll have to have a presentation that they will use to promote to licensees. There's certain information they have to develop for what the IP is about, who the target market is and why it's ideal, what the benefits are, things like that.

So, we'll work with them to build that, and then that presentation will be also combined with going into the negotiation process, what you offer your licensees, and then based on having structured the contracts, they're going to have a framework for negotiation. Obviously, a lot of it comes down to negotiation.

Part of being in the workshop is there's going to be coaching available. Once they've attended the workshop, I'm going to be available along with some other professional resources to help coach attendees of this workshop in the licensing of their know-how.

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I tell everybody, "It always takes the first two or three to really fine-tune the licensing program," but as they start to develop those first two or three, everything starts to click in place, and then the agreements and everything else gets adjusted and we move forward.

By the way, one of the things that we work with the attendees on in the workshop is we talk to them about some tactics and strategies to use on the initial licensees versus the program, once it gets a little more mature.

There is a difference between starting the new licensing program and bringing on the initial licensees versus the latter part of the program, once it's established and the later licensee come on board, so that's another thing that we really get into.

Then, of course, the final component of the workshop is how do you support your licensees, and if you remember, I talked about earlier how a know-how company can move from delivering their know-how directly to their end consumer to one where they're managing their licensees.

One of the things that we have on the back end of this is supporting the licensees from a marketing component. How do you do this co-op marketing? How do you support them? Do you know web-based systems? Do you need video systems? Do you need TV promotions? How do we put that all together?

So, the other part that we have for them on this is the marketing support, and it covers everything from web-based, direct, client campaigns as well as video marketing. A very important component of everything is video marketing today, videos that they can use on their websites to promote the licensing, video in particular that they're licensees can use to promote these new services to their clients. Video is an effective tool that can be used as a means of helping licensees to get their message directed and to deliver the right kind of message to the end potential customer in order to sell them on the services.

So, this is the program that we have put together. It's very extensive. As I said, it's five days. It's not for the start-up.

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It's for the more mature business, but at the end of this course, it will enable any attendee to be able to affectively that next week go out and implement their licensing program.

As I said, there's going to be some great support behind this. So, they're not going to be doing this on their own. They're going to have that initial few months to really have myself and others to coach them, advise them and mentor them along the way as they start to build their licensing program, and once their licensing program gets built and it's on their way, many of these knowledge companies will find that it gives them more time to really be able to enhance, expand and build new programs that then help to continue to build their licensing program and generate even more revenues.

It's really a model that's growing. This is a great market by the way for licensing. Anytime we're dealing with a challenging economy, licensing is a terrific tool because there's many companies out there especially small to mid-size that just don't have the resources, the time to be doing their own internal R&D and figuring out new products and procedures and methodologies.

So, licensing is really an ideal tool for sharing resources, allowing the information companies to partner up, but more importantly to let these companies to really expand and build revenues across the board for everybody.

It's a tool that's been used by big multi-national corporations around the world for decades, and they use it across the board, not only for their technology, but also for their know-how. It's how many of these very large organizations have grown, and they've grown through licensing.

Licensing is the same technology, if you will, that has allowed a lot of these big brand names and big corporations to grow, and now what we're doing with Business Process Licensing Workshop is bringing that knowledge, bringing that education, and bringing that tool to the small to mid-sized businesses so they can use that same tool to really grow and expand their business.

Business Process Licensing Workshop, you're going to come in on day one with all of that information in your head, all of

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your know-how in your head, and by day five, we're going to have all of that information audited, on paper with all of the agreements, marketing materials so that on day five, you can come out ready to license your know-how, to licensees throughout the world.

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