



CREATIVE LICENSE

With a little help, a mompreneur develops a bedding line for kids

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When Beverly Sutherland, Founder and President of Los Angeles-based ABC Kidz Designs Inc. decided to launch a juvenile bedding line, she incorporated an idea into her business plan that startups often overlook--the licensing deal.

"I called the Negro League Baseball Museum's licensing group and got a great opportunity to meet with their executive director, Don Motley," says Sutherland, 42. "He was very excited about my idea." A licensing contract is a legal agreement that gives a company the right to use another firm's patent or trademark in return for a share of the revenues generated from product sales.

Sutherland launched Afro-Babies, now ABC Kidz Designs Inc., and the Negro League Baseball Collection in late 2005. The company grossed \$100,000 within a year, and just over \$200,000 in 2007. Then, last month the entrepreneur launched a Major League Baseball line through a licensing deal with that league. She expects to see gross revenues of \$700,000 by the end of this year and \$5 million by the end of 2009.

"Beverly's business model is brilliant," says Steven Rogers, professor of entrepreneurship at Northwestern University's Kellogg School of Management. But he warns that typical licensing agreements may be too financially burdensome for some.

Most companies with established brands require a fixed fee up front (usually negotiable, fees can range from a few thousand dollars for a smaller brand to hundreds of thousands of dollars for a major brand). Licensors also receive a percentage of the revenues generated from product sales (typically 5% to 15%). In addition, Sutherland spent \$100,000 in startup costs for market research, product development, initial inventory, samples, and adjustments--a massive undertaking for the Englewood, California, native and her team of vendors. "I should have been nervous," she says, laughing. "But, I really believed in the company and the market we were participating in."

Sutherland's business is positioned for continued success: The juvenile textile business is a growing \$8.9 billion industry, and sports licensed goods took in an estimated \$19.3 billion last year alone. Says Sutherland, "If we were to have started this business on our own, without a recognized entity like Negro League Baseball, then maybe the results would have been different."

Before you sign on the dotted line...

"Licensing can give a small business the leverage of a larger, stronger brand," says intellectual property attorney Nia J.C. Castelly of Pryor Cashman L.L.P. in New York City. However, signing the wrong deal can be risky and may not automatically translate into financial gain for the licensee. The right lawyer can help protect your company and ensure that your licensing deal is as financially beneficial to your business as possible. "Consult an attorney who has experience protecting intellectual property rights, defending against infringement claims, and negotiating intellectual property transactions," Castelly suggests.