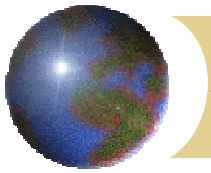


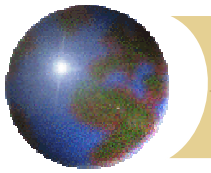
ICPHSO Panel Discussion
March 5, 2004

Licensing – Who's managing my
brand anyway?



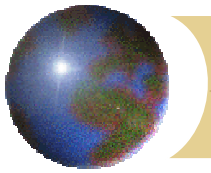
Panelists:

- **Ellen MacGran**, Associate Program Director, Quality Services, Kraft Foods
- **Rachael Shagott**, Manager, Corporate Product Integrity, Fisher Price Brands
- **Bruce Bridges**, Licensing Manager, IMC Licensing



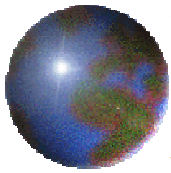
Panel Discussion Highlights

- Choosing the right partners - Key elements to include in a licensing program
- Identifying and Managing Risk
- Who is responsible for verifying compliance?
- Strategies for resolving quality, safety and performance “expectation” differences among the parties to the Agreement



Choosing the Right Licensing Partners – Licensor(Kraft)

- Fact-based due diligence
 - Business performance
 - Demonstrated capability
 - Quality performance – recalls, lawsuits
 - Quality systems of licensee – big picture at first, more detail later
- No surprises! Up-front communication on overall licensing process.



Kraft Licensing Process

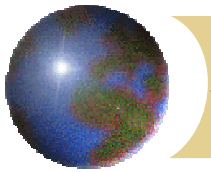
TRADEMARK LICENSING PROCESS - FOOD

GATE 1

GATE 2

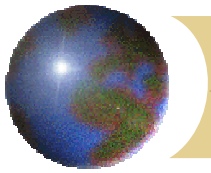
GATE 3

PHASE	INITIAL SCOPING	QUALITY RISK ASSESSMENT	DEVELOP LICENSE RESOURCE PLAN	LICENSE NEGOTIATION	LICENSE EXECUTION	LICENSE MAINTENANCE	TERMINATION
ACTIVITIES	Define project: Licensee description Product description Use of trademark(s) Strategic Fit: Conflicts with other agreements? Equity fit Age appropriateness Assess licensee business capabilities. <ul style="list-style-type: none"> Financial strength Manufacturing/distribution capability Lawsuits, product recalls, regulatory actions 	Risk assessment – food safety, design safety analysis Review licensee quality systems Develop License QA requirements Develop License QA Monitoring plan <ul style="list-style-type: none"> Audits Data Reviews Product Reviews 	Determine all activities needed through life of the project, who will complete those activities, the estimated cost of each.	Use of Trademark(s) Time Period Territory and Distribution Channels Business Standards Indemnifications Financial Agreements Termination Provisions Quality Standards Notification Requirements Social Responsibility	Execute Quality Monitoring Plan Sample reviews	Product Reviews Label Changes Insurance Updates License Renewals Quality Monitoring Plan	Sell-off period Inventory Management
OUTCOME	Clear project definition. Identify Stakeholders, gain buy-in to project. Identify project manager.	Risk Assessment QA Requirements Quality Monitoring Plan	License Resource Plan: Finance Quality Brand	Agreement signed by both parties.	Licensed item (s) launched.	Sustained performance to license agreement.	Legal termination, no remaining inventory.
PHASE OWNER	LICENSE INITIATOR	PROJECT MANAGER	PROJECT MANAGER	PROJECT MANAGER	PROJECT MANAGER	PROJECT MANAGER	PROJECT MANAGER
KEY RESOURCES	Trademark Counsel Trademark Licensing Group Corporate and Division Quality Kraft Foods Ingredients Brand Marketing	3 rd Party technical resource Division Quality Corporate Quality	Typical resources: Corporate Quality External trademark counsel Licensing Agency Kraft Foods Ingredients	Trademark Counsel Corporate Quality	Quality Auditing (Internal or External) Area Quality or 3 rd party quality Kraft Foods Ingredients (supplier)	Area Quality or 3 rd Party Quality Corporate quality, Division Quality or 3 rd party Finance (royalties) Kraft Foods Ingredients	Corporate Legal



Identifying and Managing Risks – Licensor - Kraft

- Risk assessment
 - Design
 - Foreseeable use
 - Injury history for similar products
- Who performs risk assessment?
 - Primary responsibility is licensee
 - Licensor may have expertise to share



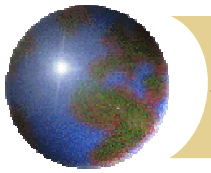
Identifying and Managing Risks – Licensee – Fisher Price

⊕ Contract Review

- ⊕ Ownership / Infringement
- ⊕ Inspections
- ⊕ Insurance
- ⊕ Special Approval Terms / Compensation
- ⊕ Countries of distribution

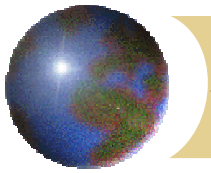
⊕ Real-Time Approvals

⊕ Building Good Relationships



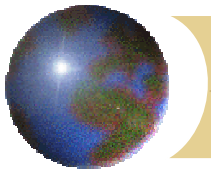
*Methods Used to Verify Licensed Products
are Safe, Perform, and Comply - Licensee –
Fisher Price*

- ✦ Safety Audit
- ✦ CDR / FMEA
- ✦ PI Review
- ✦ Qualification / Pilot Testing
- ✦ PASS



*Methods Used to Verify Licensed Products Are Safe- **Licensing Agent - IMC***

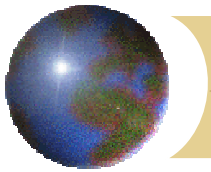
- Pre-agreement due diligence
 - Reference checks & quality systems review
- Licensing Agreement
 - Quality requirements & termination provisions
- Testing procedures
 - Approved testing labs & specific standards to be tested against
- Quality follow up
 - Sample requirements & audits



*Setting Quality, Safety and Performance Expectations - **Licensing Agent** - IMC*

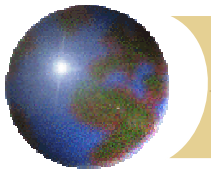
- ✿ Clearly set expectations laid out in agreement
- ✿ Quality & brand feedback at all stages of product development
- ✿ Compliance systems to assure follow through

A well-structured process combined with open & regular communication is key



Resolving Quality, Safety and Performance Expectations – Licensee – Fisher Price

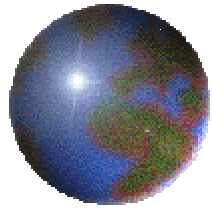
- ⊕ Consumer Relations
- ⊕ CAGE
- ⊕ Reporting Obligations
- ⊕ Recalls



Several Scenarios to watch out for.....

(Licensor – Kraft)

1. Pilot the product before a license agreement is signed.
2. Partner with a licensee who has performed poorly previously – unless there is a good reason to believe that the issues have been resolved.
3. Partner with somebody who does not have a quality system.
4. Partner with somebody who is going through significant business survival challenges.
5. Skip due diligence because



Questions

