INTELLECTUAL PROPERTY

the business of comic books
IP:

legal monopolies over creations of the mind, both artistic and commercial
Copyright

Gives the author of an original work exclusive right for a certain time period - including its publication, distribution, and adaptation.

Copyright applies to any expressible form of an idea or information that is substantive and discrete and fixed in a medium.
a distinctive indicator used by an individual or business to identify that the products or services delivered to consumers originates from a unique source, and to distinguish its products or services from those of other entities.
set of exclusive rights granted by a national government to an inventor or their assignee for a limited period of time in exchange for a public disclosure of an invention

the invention must be new, inventive, and useful or industrially applicable.
WHY DID DISNEY ACQUIRE MARVEL?

WHY DID WARNER BROTHERS RESTRUCTURE DC?
COMIC BOOK WARS
the fight for marvel
PEARLMAN & MARVEL

- **1986** - Marvel is sold to New World Entertainment (movie studio)

- **1989** - Marvel is sold to Pearlman (MacAndrews & Forbes)

- “Pearlman described Marvel as “a mini-Disney in terms of intellectual property”

- Used the company to generate short term cash in order to inflate its value so he could take it public

- **1991** - Pearlman took Marvel public (he retained 60% of the shares)
MARVEL’S EXPANSION BINGE

- Fleer Corporation - trading card company
- Skybox International - trading card company
- Panini Group - Italian sticker maker
- Welsh Publishing - producer of kid’s magazines based on licensed properties
- Malibu Comics - comics company
- Heroes World - comics distribution company
TOY BIZ

- **Toy Biz** - toy manufacturing company owned by Avi Arad and Isaac Pearlmutter

- **1990** - Toy Biz exchanged equity for an exclusive, perpetual royalty-free license to make toys based on Marvel characters

  - Beneficial for both parties:
    - for Toy Biz, it eliminated royalties that would have cost the company a lot of money
    - Marvel’s cartoons were essentially 30 minute infomercials for Toy Biz
    - Marvel’s stake in Toy Biz gave it a much higher return than it would have made from royalties
disaster for marvel?

you bet
Carl Icahn - made his billions during the 1980s in the junk bond market

Corporate raider - best known for his hostile takeover of TWA in 1985

Initially appeared to be Marvel’s white knights

quickly became clear that Icahn only wanted to:

1. Buy Marvel’s distressed bank debt
2. Bankrupt the company (wiping out its debt)
3. Converting his bonds to a controlling interest
4. selling the post-bankruptcy Marvel for a tidy sum
MARVEL DECLARES BANKRUPTCY

the end of the comic book industry?
Under Marvel’s Chapter 11 bankruptcy plan:

1. Andrews Group Incorporated (which was controlled by Pearlman) would invest $365 million in Marvel

2. Toy Biz Inc. would become a wholly owned subsidiary of Marvel

3. Marvel’s lender group would provide a total of $160 million to finance Marvel’s new strategic investment program and working capital requirements

Strategy to keep Icahn from taking over the company (forcing shareholder and bondholders to go along with the bankruptcy plan)
Bondholders, led by Icahn, claimed that the bankruptcy as a default

Pearlman was forced to give up the company - Icahn was elected chairman of the board of Marvel Entertainment.

Joe Calamari (former Executive Vice President of Marvel Entertainment) is named President

Pearlman walked away with his profits - between $200 and $400 million.
MARVEL vs. TOY BIZ

- Joe Calamari disagreed with the Toy Biz deal
- Broke a series of contracts - fired Avi Arad (who was head of Marvel Studios)
- The prospect of completely loosing their licensed prompted Ike Pearlmutter and Avi Arad to put together a group of investors and a plan to get Marvel out of bankruptcy
- Under the plan, Marvel would merge with Toy Biz - the plan was approved and the takeover was completed by October 1997
- Toy Biz cleans house and fires a host of Marvel executives and editors
AVI & PEARLMUTTER’S VISION FOR MARVEL

- Focus on the intellectual properties of Marvel - comics and comic characters

- Get rid of companies (acquired under the Pearlman reign) that didn’t have anything to do with comics - trading card companies, etc.

- Get Hollywood to make big budget movies based on Marvel characters