

DH Patterns and Fit

Royalty Program



“The Royalty Program”

The Royalty Program by DH is designed to make it possible to bring new products to market without taking the full costs of development up front. The program emphasizes the Win-Win attitude of our customer relations and partnership. The program is based on a nominal fee per product and a royalty per item.

To qualify, the client must present business financing information, collection plan, consumer price targets, quantity estimates, distribution network and timeline. Based on a detailed in-take talk, DH will make a tailor-made proposal. By default the talks are strictly company confidential and fall under IPR protection as regulated in the SPA.

The DH Service Provider Agreement is a pre-requisite to the Royalty Program. The program does not entail an investment by DH other than pre-production services. The program is limited to Norwegian based companies. The Royalty Program cannot be used in combination with the terms and conditions for Emerging Brands.

“Share Opportunity, Risk and Costs”

The development costs of true innovation at a desired quality level are often a prohibitive factor to move forward. The Win-Win approach of the Royalty Program is based on mutual confidence and trust. As the products come on to the market and start to generate revenues a royalty will compensate DH for the initial development and commercial risk and create a deferred profit.

Termination of the client relationship or activities related to the Royalty Program may result in invoicing in full for the work done and expenses incurred.

“Nominal Fee”

The nominal start-up fee is at a capped invoice value to cover some of the development expenses and is insurance that products will not be withdrawn without some form of damage payment.

The level of the nominal fee is dependent on the involvement by DH in development activities such as design, design engineering, pattern making, and manufacturing and sourcing. DH uses the degree of company involvement to determine the nominal fee.

During product development the number of design changes is limited. Excessive changes and more-work may result in what is considered a new product which justifies a new nominal fee.

Expenses such as travel, non-standard material or external resources not contractually associated with DH are not included in the nominal fee and may be invoiced separately.

“Royalty”

Royalties will be payable for products for as long as the jointly developed product or spin-off is on the market. A product is considered to be a spin-off if it resembles the design, style and pattern features of the original product.

The royalty is calculated per product as a percentage of the manufacturing costs FOB considering target retail price, expected annual sales volume and the scope of development activities by DH.

For the purpose of calculating the royalty percentage, DH has developed a formula which takes into consideration all primary variables from development to sales volume.

The royalty is payable per quarter and is based on the quantities ordered from manufacturing. The client will make all such information available to enable DH to write the royalty invoice. The DH royalty rights follow the product in case the client company or product rights are transferred to a 3rd party.

“Make the Program Work for You”

If you believe that the Royalty Program fits your ambitions, please contact DH Patterns and Fit. We will be pleased to sit down with you and investigate if DH can invest in your business.