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Licensing IP

This toolkit aims to provide an overview of what an IP licence is, how you can commercialise Intellectual Property Rights (IPRs) and the various ways of strategising your IPRs. The toolkit sets out the reasons and benefits of licensing, the key terms of a licence and other important considerations.

What is a licence?

A licence is simply permission given by the owner of the relevant intellectual property rights (licensor) to a user (licensee) to do something which the owner could otherwise prevent. At all times, the licensor remains the owner of the licensed intellectual property. One licence can cover a variety of rights. For example, a licence relating to a particular product could cover patent rights, design rights, related know-how and a trademark.

Benefits of IP Commercialisation

The commercialisation of your IP, whether through assignment, licensing, franchising, joint venture or spin-offs, can give rise to an array of benefits. The most important is the minimisation of capital investment and risk. In addition to this, the licensor can penetrate new markets, and thereby take advantage of the need for local knowledge and local manufacture.

Methods of Commercialisation:

⇒ Assignment

An IP assignment transfers the ownership of an IPR from one party (the assignor) to another party (the assignee). Consequently, the assignee becomes the new owner of the IPR, and the original owner no longer has the right to use that IP.

⇒ Licensing

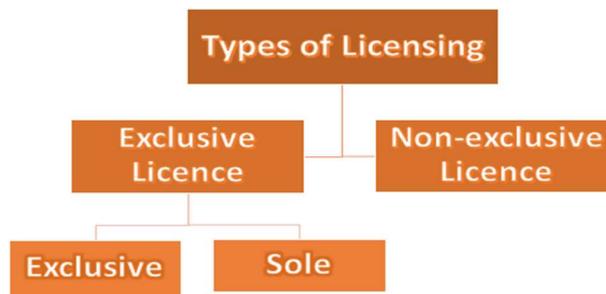
A licence is a contract under which the holder of intellectual property (licensor) grants permission to another person (licensee), to use its intellectual property within limits set by the provisions of a legally binding contract.

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Exclusive Licence:

- **Exclusive:** only the licensee can use the licensed IP or technology (the licensor cannot use or licence it).
- **Sole:** the licensor agrees not to grant any additional licences but retains the right to use the licensed IP.
- **Non-Exclusive Licence:** the licensee and the licensor can both use the licensed intellectual property or technology. The licensor is also allowed to negotiate further non-exclusive licences with other companies.



⇒ Franchising

Franchising allows for the replication of the IP owner's business concept in another location. The 'franchisee' is the person that owns and operates the business using the IP licensed from the 'franchisor'. **Franchising could be a win-win deal:** While on the one hand, franchising helps franchisors to expand their business with the need for less investment, it also enables franchisees to enter into a market more easily since the business is based on an established brand and/or on a proven business model.

⇒ Joint Ventures (JVs)

JVs are business alliances of two or more independent organisations (venturers) to undertake a specific project or achieve a certain goal by sharing risks. For example, one party may contribute technology or know-how, and the other may provide investment.

⇒ Spin-offs

Spin-offs are separate legal entities created by a parent organisation (PO) to bring its IP assets into the market. It is generally an efficient solution for the parent organisation, who may not be fully capable of commercialising their IP assets, such as for universities and research institutions.

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Reasons for Licensing IP

The main benefit of licensing IP is that the IP owners have an asset that can **generate income for their business without losing ownership** over the IP. There are many reasons why IP owners choose to license their IP. These reasons include:

- inadequate funding or insufficient resources to commercialise the IP itself;
- commercial motivation: maximisation of commercial returns;
- reduction and allocation of risks, including financial risks and product liability claims;
- to access relevant target markets;
- to exploit IP in foreign markets, without the risk of grappling with foreign laws;
- to minimise capital investment and recoup development costs;
- to maintain intellectual property rights and
- to obtain value from IP through the licensee's commercial activity.

Business Strategies through licensing IP

Through a licence, the IP owners can determine how their IP is used. Although IPRs are national rights, they can be divided into a "pie" by territory, product, and field of use. For example, a licensor could impose some restrictions on licensing its IP, such as geographical limitations, restrictions on types of use (for example, limiting copying, displaying or making derivations of the content), use for only commercial or non-commercial purposes, or only within particular fields or industries. Furthermore, IP owners can decide on the duration of the licence and change the licensee if their partnership is not advantageous.

A licence gives the IP owners the possibility to confer the same right to multiple users, depending on the type of licence and the strategy, and the IP owners can also reserve part of the IPRs for themselves. For example, licensors may allow the granting of sublicenses only for the affiliates of the licensee or companies pre-approved by the licensor. Licences, therefore, are extremely flexible - depending on the specific licence terms, they can be as advantageous as ownership of the IP itself (for example, a worldwide, perpetual, exclusive and irrevocable licence).

Aspects to consider before Licensing IP

To minimise the risks associated with granting another party rights over the IP, both parties should conduct **due diligence enquiries** before entering into an IP licence, and licensors should take note of the following:

- the financial position of the licensee, checking that he/she can commercialise IP;
- the licensee's reputation and business track record;
- the knowledge of the licensee about the market for the IP, such as experience in the working area;
- the product range or technology portfolio of the licensee, and their existing size and output capabilities, checking that he/she has the ability and competence to achieve the licensor's aim;
- the technical, sales and marketing resources available to the licensee and
- the licensee's objectives.

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How to Licence: IP agreements - Key Terms

The terms of licence agreements can vary widely between licences depending on factors, such as the type of licence and the types of IP. An example of an IP licence can be found in the link, [FREE Sample of the License Agreement Template](#).



Key terms which are generally applicable to all types of IP licence agreements are:

Key terms	Definition
Grant of rights	What is licensed, identification of the IP that has been licensed.
Scope of Licence	This term gives both parties various options to negotiate and adjust to their business interests. Also, any reservations or restrictions would be put here.
Financial terms in Licence Agreements	How the payment will be made, royalty is the most common form of payment.
Term and termination	The length of the licence, the grounds on which the parties can terminate the licence.
Maintenance and improvements	The licensee's acknowledgement that the necessary steps shall be taken to protect the IP owner's rights, and not damage its goodwill. There might also be positive obligations on the licensor, such as maintaining the IP and keeping up to date with the renewal fees. For improvements, this provision could also set out how to deal with any derivative works of the licensed IP by either party.
Confidentiality	The information exchanged between both parties shall be kept confidential.
Warranties and indemnities	These include confirmation from the licensor that the licence, is used in accordance with its terms, does not infringe any third-party rights.
IP protection	These provisions set out whether the licensor or the licensee will be responsible for registering any IP. Who will bear the costs? The parties should ensure that any laws specific to the IP licensed are satisfied to ensure the IP owner's rights are protected.

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