



InterContinental IP

An Intellectual Property Law Firm

Licensing and Sales

We can help you with all the steps of licensing, from drafting agreements to negotiations. As stated above, we also provide IP due diligence services, to provide a better frame of reference for the intellectual property's value and enforceability.

Licensing:

The inventor has three basic options with how to make money from his or her invention: assignment of patent rights, licensing of patent rights, or make it and sell it yourself. With an assignment, you are selling your patent rights to an "assignee" for a certain sum or money, percentage of sales, or some other monetary means of compensating you for your invention. With a license, you are "renting" your patents (and perhaps trademarks and copyrights) to a licensee who will then manufacture and sell the product, paying you a royalty.

Many inventors would like to keep all the money they make from an invention, and so decide to make it and sell it themselves. This involves a number of steps and responsibilities: find a factory and set up manufacturing, oversee the factory for quality control problems, deal with shipping and customs issues, find the retail buyers and negotiate contracts, and deal with retail issues such as defective policies, advertising allowances, price protection, product placement surcharges, etc. After "doing it themselves" for a while, many inventors wished they had tried licensing or assigning in the first place.

While assignment has an attractive "one time deal" appeal, it is rare that until a product has been tested on the market for a while and proven to be a success, that a prospective assignee will offer an inventor a buy-out price the inventor finds acceptable. Most inventors truly believe that their invention is worth billions, or at least hundreds of millions of dollars; most buyers are skeptical of an invention's value until tested on the market for at least a year or two. Thus, in the initial stages, it is unlikely that both sides will reach a mutually agreeable assignment price, thus, they agree to try licensing as a way to "test drive" the invention for a limited period of time.

What is a license?

It is simply an agreement between a person who holds rights to an invention (the licensor) and a person or company that wants to manufacture and sell invention (the licensee). Licensing benefits the licensor (inventor in most cases) because the licensee is responsible for (and assumes all the financial risks) for manufacturing, shipping, and selling the product, and in many licensing agreements, is responsible for suing infringers and paying maintenance fees on the licensed patent(s).

What are common terms spelled out by a licensing agreement?

First, the licensor and licensee have to agree on whether the license is exclusive (only the licensee can make and sell the invention) or non-exclusive (the licensee is only one of several companies that can make and sell the invention). We find that while it is often attractive to have several different companies making and selling a product, you usually get more of a “partnership” when you select one exclusive licensee. Additional terms to be discussed with a prospective licensee include period of time over which the license is good, any minimum quantities of sales, the royalty structure (usually flat rate, % of sales, or a minimum quantity or % of sales, whichever is greater), any automatic renewals and the terms under which the license is automatically renewed, accounting periods, right to audit books, and termination procedures.

Can you license a pending patent?

Yes, many licenses begin at the pending patent stage. Often, an inventor will try to negotiate as part of the licensing deal that the licensee assist with paying for the prosecution of the patent(s), so that the entire financial burden does not fall on the inventor. Normally, an inventor will get a better licensing deal with an issued patent, as then both parties know exactly what intellectual property rights the inventor has to license out, but you can license out a pending utility, design, or even provisional patent application.

At InterContinental IP we can assist you with negotiating an assignment or license.

