

Licensing Your Invention

In some cases, it may not be possible for the holder of a patent to exploit his or her invention. He/she may lack the marketing ability or funds necessary. In these instances, the inventor may be well advised to enter into a licensing agreement with another party.

In a licensing agreement, the inventor gives another party permission to exploit the invention in exchange for payment of some kind. The license gives the licensee rights that would otherwise be prohibited but it does not allow the licensee any property rights. In short, they can produce, use and sell the invention, but they cannot sell any rights to the patent. A license agreement is a contract, which creates rights, and obligations separate from the patent.

If you decide that this is an avenue that you would like to pursue, the best place to start looking for a licensee is within the same industry as your product. Try writing letters to prospective licensees, to publicize that your product is up for license. If you do find someone, before entering into negotiations, consider these points:

- 1) Do you want to be involved after the deal is signed?
- 2) Involve a lawyer in the process.
- 3) Five percent is generally a good starting point when negotiating royalties.
- 4) Research as best you can, the company you are dealing with.
- 5) Do you want royalties alone or a combination of royalties and upfront money?

Some of the important issues for a licensor to focus on when negotiating a license agreement are:

- 1) The duration of the agreement. Generally, the more expensive the invention is to produce and market, the longer the term of the agreement.
- 2) The scope of the agreement. Does it cover one territory or the whole market?
- 3) When and on what basis payments are to be made.
- 4) Whether or not the contract is exclusive.
- 5) Proper trademark or copyright protection if applicable.
- 6) What would constitute forfeiture of the contract?
- 7) What exactly is being licensed?