



## The Relative Merits of Licensing and/or Selling Patents

The purpose of this brief paper is to outline the major issues that should be taken into account when an IP owner is considering the most appropriate route to commercialising his or her IP.

Traditionally, the favoured route for exploiting a patent is to license the patent to third-parties. However, over the last few years, selling/assigning has become a very popular method to commercialise IP and thus realise the inherent, complete value of the IP immediately and in one transaction.

Clearly, there will be advantages and drawbacks for both options, and each route will need to be considered carefully before embarking on a commercialisation project.

### Definitions

A **license** is a legal contract where a licensor grants exploitation rights over a patent to a licensee. A license can be sole, exclusive or non-exclusive, giving the licensor a measure of control over who will exploit the IP. Such a license can also, for example, include minimum performance targets which must be reached in order to avoid revocation of the rights. Typically, a license will be limited to a certain period of time and to specific industrial or geographical markets. A license is therefore a viable way of generating additional revenue from IP without losing control of it.

By contrast, an **assignment** is the sale and transfer of ownership of a patent by the assignor (patent owner) to the assignee (the buyer). The transfer is permanent and irrevocable and cannot be limited. Assigning a patent transfers all rights, including the rights to enforce it.

### Revenue strategy

Revenue via the licensing option is generated through the payment of royalties over the life of the patent or the license. It is a prudent strategy which can maximise revenue generation for proven technologies with a medium-to-long life-cycles.

For technology with a short life-cycle, or uncertain market prospects, receiving a lump sum payment for the assignment of a patent can be a preferable option for a patent owner, allowing the assignor to receive a large lump sum payment, instead of smaller annual royalties over many years, in order to cover short-term capital requirements.



Assigning can be very attractive to companies seeking a quick return on R&D investment and for companies exiting specific market segments. In addition, assignee can grant a back-license to the assignor to allow them to keep their existing business line.

### Conclusion

Both options have merits – neither is the ‘better’ option. Selecting the most appropriate exploitation route depends on variable factors such as revenue strategy, ownership control, performance targets, technology life-cycle and capital requirements. For each individual IP owner, the relative importance of each of the variable factors will naturally be a critical element in the decision-making process.

Exponent IP has the expertise and experience to assist you throughout this process, leading you to a conclusion that is both financially and strategically rewarding.

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