



what you need to know to start and grow your business

# licensing your creations, technology or brands

## What is licensing?

Licensing your creations, technology or brands means giving one or more other people (licensees) the right to use them, including a right to use any relevant copyright, patent, trade mark or other intellectual property rights on agreed terms of use. You keep ownership of your rights (it is not an assignment). Licensing can form part of a broader franchising arrangement where you help a 'franchisee' operate using your whole business model.

There are various benefits you may receive in return.

Royalties or other licence fee payment	Increased brand awareness and marketing: get your content to a wider audience	Access to others' intellectual property/technology/creations/brand or to projects or collaborations
Better understanding of the market	Benefit from licensee competence: <ul style="list-style-type: none"><li>• improvements or ideas back</li><li>• strengthen your brand</li></ul>	Knowledge preservation if you have no current projects on which to deploy your own technology

## What are the key issues?

Irrespective of whether you are licensing technology, brands, merchandising or other creations, there are many key issues common to all, including those set out below. You should aim to capture your licensing or franchising arrangement in a signed written contract and ideally instruct a lawyer to assist you.

Scope	Territory	Licensee position in value chain	Exclusivity
<ul style="list-style-type: none"><li>• What use is permitted? (Personal? Commercial up to uses?)</li><li>• What products or processes?</li><li>• What IP rights? (copyright, design rights, trade marks, patents, trade secrets etc.)</li><li>• Associated support or maintenance services?</li></ul>	<ul style="list-style-type: none"><li>• Which region/ country/territory? (careful re. competition law: see below)</li><li>• Do specified IP rights 'map' on to this territory?</li></ul>	<ul style="list-style-type: none"><li>• License manufacturer of products AND/OR</li><li>• License retailer/ service provider with right to sub-license to manufacturer?</li><li>• Appoint an authorised licensor to license on to manufacturers, suppliers etc.)?</li></ul>	<ul style="list-style-type: none"><li>• Exclusive: licensee is only person allowed to do [scope X] in [Territory Y] OR</li><li>• Sole licence: you as licensor and single licensee can do so, no-one else can</li><li>• Non-exclusive: you as licensor can do so and you can grant licences to any number of other licensees as well.</li></ul>
Payment/benefits	Reporting/auditing	Duration/Termination	Liability
<ul style="list-style-type: none"><li>• Lump sum: all/part upfront and/or % after [x] years/ milestones AND/OR</li><li>• Royalties: % of sales revenue</li><li>• How often? Quarterly? Yearly?</li><li>• Minimum payment?</li></ul>	<ul style="list-style-type: none"><li>• For royalties calculation: report sales?</li><li>• How often?</li><li>• Right of licensor to audit books/ reporting of licensee)?</li><li>• Should the licensee provide regular sales forecasts?</li></ul>	<ul style="list-style-type: none"><li>• How long will licensee be permitted to use?</li><li>• Right for either party to end (terminate) early on agreed trigger events? (eg failure to supply, not complying with quality control requirements)</li><li>• What happens on termination? (eg no dumping of left-over stocks?)</li></ul>	<ul style="list-style-type: none"><li>• If either party suffers loss as a result of acts/omissions of other party, who is responsible/meets the cost?</li><li>• Any excluded area, eg no responsibility for other party's lost profits or indirect losses?</li><li>• Maximum 'cap' on amount?</li></ul>

## Specific considerations for different licences?

Different concerns apply depending on what you are licensing. For technology, the licensee may need upfront guidance or even ongoing support to use the technology. For brands, designs, music, or merchandising, this may not matter, and you may be more interested in controlling how the licensee uses or sells the products and whether you are acknowledged as the rights owner.

Creative (written, artwork, designs, music etc.)	Technology	Brand
<ul style="list-style-type: none"><li>• Typically written works, images artwork, designs, music, photos</li><li>• Relevant IP rights are usually copyright and design rights</li><li>• Could overlap with 'brand' licence for character merchandising, sponsorship or image rights</li><li>• Consider quality control/ assurance right to approve items sold and/or restrict types of adaptation/ derivation from licensed work</li><li>• Consider requirement to acknowledge you as designer and owner of IP rights in underlying work</li><li>• Consider using collective licensing body such as Copyright Licensing Agency, Publisher's Licensing Service, Performing Right Society, Mechanical Copyright Protection Society, News Licensing Agency</li></ul>	<ul style="list-style-type: none"><li>• Inventions, technical solutions, industrial trade secrets, know how, software</li><li>• Relevant IP rights are usually patents, copyright, trade secrets and confidentiality</li><li>• Consider need for associated technical services to help licensee first set up and implement equipment/processes</li><li>• Software: is any part 'open source', so that any improvements or technology based on open source must be shared freely?</li><li>• Software: access to source code? (e.g. In 'escrow' in case licensor goes bankrupt).</li><li>• 3G/4G/5G/wifi and 'Internet of Things': consider relevance of 'Standard Essential Patents' and the need to license on fair, reasonable and non-discriminatory (FRAND) terms</li></ul>	<ul style="list-style-type: none"><li>• 'Look and feel': logos, signage, graphics, names, fonts, colours, trade marks</li><li>• Relevant IP rights are usually trade marks (registered and unregistered), copyright and design rights</li><li>• Could overlap with a 'creative' licence for character merchandising, sponsorship or image rights</li><li>• Consider requiring compliance with 'style guide' on colours, fonts, etc and products/services/ customers that are in scope</li><li>• Quality control/assurance: rights to approve products sold and/or to audit</li></ul>

If you are happy to make your work available to others to use, consider using a Creative Commons Licence.

## Are there any regulatory or business risks?

When agreeing the scope of the licence, always be careful what information is being exchanged and what restrictions are imposed, to ensure you comply with regulatory requirements and protect your own intellectual property position, over the full life time of the licence.

Key considerations include:

COMPETITION LAW	DATA PROTECTION
<ul style="list-style-type: none"><li>• Avoid fixing retail prices, dividing up markets (avoid banning 'passive' (unsolicited) sales by your licensee outside the licensed territory)</li><li>• avoid being seen to have 'colluded' with other licensors by sharing commercially sensitive information (eg pricing), even inadvertently.</li></ul>	<ul style="list-style-type: none"><li>• Avoid sharing customers' personal information with licensees</li><li>• Obtain consent first, being clear what the identified licensees will do with the personal data.</li></ul>
CONFIDENTIALITY	CONTRACT MANAGEMENT
<ul style="list-style-type: none"><li>• Avoid 'leakage' of your confidential information/trade secrets to licensees.</li><li>• Be very careful what confidential information you receive from licensees.</li><li>• Always ensure appropriate confidentiality terms: what information to be shared, for what purposes, who can use it, who it can be shared with.</li></ul>	<ul style="list-style-type: none"><li>• A contract is for (its) life, not just for signature.</li><li>• Don't stick it in a (virtual) drawer or forget about any reporting/payment/update/ maintenance/confidentiality commitments.</li></ul>

## Also think about

- Intellectual Property Rights: copyright, design rights, trade marks, patents, trade secrets & confidentiality
- Online copying • Selling online • Contracts • Disputes

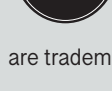
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