

THE FUNDAMENTALS OF IP LICENSING



WHAT IS AN IP LICENSE & HOW DOES IT WORK?

Any form of intellectual property can be licensed to third parties. Through licensing, an IP owner grants third parties the right to use their IP, while retaining their ownership. Usually, the IP owner receives payment in the form of royalties for granting another person (the licensee) the right to use their IP.

DIFFERENT FORMS OF IP LICENSING

There are 3 primary forms of licensing agreements – each providing slightly different rights, advantages, and disadvantages.

1. **Exclusive Licenses:** Grants a third party the exclusive right to use the intellectual property.
2. **Sole Licenses:** Grants a third party the right to use intellectual property, while prohibiting the owner from allowing other third parties to use the IP.
3. **Non-exclusive Licenses:** Grant others the right to use intellectual property, without restricting the owner from using the IP themselves or granting licenses to other third parties.



WHAT ARE THE ADVANTAGES & DISADVANTAGES OF AN IP LICENSE?

On the positive side, licensing IP can:

- Create passive income
- Enable a licensor to tap into local markets
- Create new business opportunities
- Enable businesses to enter new markets or industries



On the other hand, some disadvantages are:

- The licensor may lose some control of their IP
- Abuse of licensing agreements which can lead to IP infringement
- May end up fully dependent on the licensee's ability to generate revenue with the IP
- Licensee's actions could damage the reputation of the brand or product



HOW DO I LICENSE MY INTELLECTUAL PROPERTY?

If you're interested in licensing your IP (or licensing someone else's IP) it will be important to work with a seasoned professional who can help you negotiate a licensing agreement that works for you.



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