



**Council for Trade Related Aspects of Intellectual
Property Rights**

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INTELLECTUAL PROPERTY AND INNOVATION: IP LICENSING OPPORTUNITIES

COMMUNICATION FROM AUSTRALIA; CANADA; THE EUROPEAN UNION; JAPAN; SINGAPORE;
SWITZERLAND; HONG KONG, CHINA; THE SEPARATE CUSTOMS TERRITORY OF TAIWAN,
PENGHU, KINMEN AND MATSU; THE UNITED KINGDOM AND THE UNITED STATES OF AMERICA

1 INTRODUCTION

1. Organizations rely on intellectual property (IP) assets to protect their products, brands, creations, and processes and to create competitive advantages.¹ Owners of IP assets, including small and large businesses, individual inventors, and artists, can use those assets to yield a broader reach for their products and services, and one way to do so is via licensing agreements.² In licensing IP, permission is granted by the owner of the IP right to someone else, the licensee, to use it on agreed terms and conditions, for a defined purpose, in a defined territory and for an agreed period of time.³ This differs from assignment, which calls for a transfer by a party of all or part of its IP right to a new owner.⁴ While not limited to these scenarios, licensing of IP is often considered in three broad categories: technology, publishing and entertainment, and trademark and merchandising⁵, and can involve all types of IP assets, including patents, copyright, trademarks, as well as know-how.

2 LICENSING OF PATENTS

2. In licensing a patent, a patent owner can contract with another party, the licensee, to allow the licensee to make or sell the invention during the license period.⁶ Licensing of patents is a useful option where the patent owner does not have the means to manufacture the product or invention, such as in the case of a solo inventor with a viable idea that is lacking the resources necessary for production. It can also introduce the invention to a bigger market and can therefore be a popular option for entrepreneurs and startup companies.⁷ A number of companies have either shifted away from manufacturing products to licensing IP or are established with the objective of creating and licensing IP without directly manufacturing any products.⁸

3 COPYRIGHT LICENSING

3. Copyright protection is provided to the authors of original works of authorship and covers a wide range of creative works, including audiovisual works such as movies or TV shows, literary works such as books or software, sound recordings, musical works, photographs, sculptures, and more.⁹ Authors of copyrighted works are granted a bundle of exclusive rights, which can include the rights of reproduction, preparation of derivative works, distribution, public display, and public performance of certain categories of works.¹⁰ While the copyright in a work generally vests initially in the person who conceives the work and fixes its expression in a tangible medium, i.e., the work's author, an

¹ <https://www.financierworldwide.com/generating-revenue-streams-putting-your-intellectual-property-assets-to-work#.YIAz6pFBYUk>

² https://www.wipo.int/edocs/pubdocs/en/licensing/906/wipo_pub_906.pdf

³ *Id*

⁴ 37 C.F.R. §3.1

⁵ https://www.wipo.int/edocs/pubdocs/en/licensing/906/wipo_pub_906.pdf

⁶ <https://dictionary.cambridge.org/dictionary/english/licence?a=british>

⁷ <https://www.upcounsel.com/patent-licensing?msclkid=95652808c49c11ec801b34c04620f279>

⁸ https://www.wipo.int/edocs/pubdocs/en/licensing/906/wipo_pub_906.pdf

⁹ 17 U.S.C. § 102(a)

¹⁰ 17 U.S.C. § 104

author of a work may gain an economic benefit by granting another person or entity the authority to exercise one or more of these rights on an exclusive or nonexclusive basis.¹¹ Because copyright is a bundle of rights that can be divided in many different ways, each of those divisions can create licensing opportunities and serve as a means for reaching a wider audience. Ownership of a copyright may be divided among multiple parties, including both automatically between joint authors of a work or otherwise by contract.¹² In addition, copyright collective management organizations (also known as collecting societies or CMOs) license use of works on behalf of large numbers of stakeholders, collect royalties for those uses, and distribute these royalties back to stakeholders.¹³

4 TRADEMARK LICENSING

4. In trademark licensing, a trademark owner grants to a licensee permission to use that trademark on mutually agreed terms and conditions.¹⁴ There are several different ways of licensing trademarks, among them franchising, merchandising, brand extension, co-branding, component or ingredient branding, and standards.

5. Franchising is a specialized license where a franchisee is allowed by the franchisor to use a particular business model and is licensed a bundle of IP rights, notably, trademarks, in return for a fee.¹⁵ Merchandising involves the licensing of trademarks to manufacturers of a wide range of consumer goods, such as mugs, towels, and apparel, to produce such goods featuring the licensed trademarks of owned by third parties.¹⁶ In brand extension, a company may use a licensing agreement to team up with another business that will use the trademark on a new product.¹⁷ In co-branding, two or more trademark owners may join together to offer a new product, thereby creating new appeal for their current clientele, or to break into a new market.¹⁸ Component or ingredient branding may involve the right of a manufacturer to use a trademark of another company to refer to an ingredient on the packaging or in advertising on the manufacturer's product.¹⁹ The reputation of the trademark of the ingredient lends value and appeal to the manufacturer's product. Further, trademarks of a certifying entity can be licensed for use on products that comply with quality or technical standards to convey this information to purchasers and add value to the products of authorized users.²⁰

6. Each of these methods can provide a number of opportunities for the trademark owner, including a broader reach for its product or brand. In turn, the licensee benefits from relying on the goodwill established in the trademark or service mark.

5 LICENSING OF KNOW-HOW

7. "Know-how" can include a range of IP-protected and non-IP protected assets, such as unpatented, technical information, trade secrets, data, specifications, procedures, studies, processes, or methods in the manufacture, sale or use of licensed products.²¹ For instance, the licensing of patents for a particular technology can include the know-how associated with that technology. Know-how can also be licensed separately from patents, as a distinct form of IP with different terms.²² For example, a license for know-how can be for an indefinite term, whereas a license for a patent may expire with the patent expiration date.²³

¹¹ 17 U.S.C. § 201

¹² *Id*

¹³ https://www.wipo.int/edocs/pubdocs/en/wipo_pub_cr_cmotoolkit_2021.pdf

¹⁴ https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_12_learning_points.pdf#:~:text=In%20trademark%20licensing%2C%20a%20trademark%20owner%20%28Licensor%29%20grants,was%20to%20indicate%20source.%20The%20fact%20that%20a?msclkid=3a8867cbc25e11ec90c7498ccaf48978

¹⁵ *Id*

¹⁶ *Id*

¹⁷ *Id*

¹⁸ *Id*

¹⁹ *Id*

²⁰ *Id*

²¹ <https://www.acc.com/sites/default/files/program-materials/upload/5.9%20Licensing%20Know-How%20with%20Patents.pdf?msclkid=75cec8ccc23c11ecac768a08d0782633>

²² *Id*

²³ *Id*

6 GUIDING QUESTIONS FOR DISCUSSION

8. In order to facilitate discussion, Members are asked to consider the following questions and share their national experiences in the field of opportunities in IP licensing.

- a. What kinds of licensing occurs?
 - b. What are some IP licensing best practices that your organizations have employed?
 - c. What advice can your organizations share about the benefits of IP licensing?
 - d. What are some of the drawbacks to IP licensing your organizations or right holders may have experienced?
 - e. Are there innovations in IP licensing that organizations or right holders are implementing, such as licensing portions of IP assets or fractional ownership?
 - f. What are some ways to raise awareness of IP licensing as a tool for revenue generation for small businesses, inventors, and artists?
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