



Virtuoso Legal

Intellectual Property Specialists

31 Harrogate Road
Leeds, LS7 3PD
England

Tel: +44 (0) 844 800 8871

Fax: (0) 844 800 8872

Web: www.virtuosolegal.com

“Intellectual Property lies at the centre of the modern company's economic success or failure”

Lester Thurow : Economist

Trade marks & Brands

Patents & Inventions

Copyright

Designs

Database rights

Data Protection

Licensing and Franchising

Intellectual Property agreements

New Media Agreements such as directors and authors rights

Transactional Intellectual Property

Principal: Elizabeth M Ward BSc (Hons)
Associate solicitor Kirsten Toff BSc (Hons)
Associate solicitor Deborah Niven LLB (Hons)
Practice Manager Elizabeth Lock BSc (Hons)

Regulated by the Solicitors Regulation Authority
SRA number: 466530



Advantages & Disadvantages Of Licensing

UK Trade And Investment – Licensing Brochure

Advantages

A licence allows a company to take a product to market without the expense of setting up locally and all the risks and costs associated with that.

A larger and more powerful licensee in a new market can provide instant market access and deter competitors and imitators.

A licence can be used to enable products to be supplied locally where there is no opportunity to manufacture in the locality.

It is possible with the right kind of licence and overseas business partner to create an extensive market presence very early on in the product's life cycle. This will help make maximum profits for the licensor.

In certain circumstances it is possible to divide up a particular market so that different companies can licence the same product but apply it in different areas. For example, it is possible to take disinfection kits and divide up the market into human and animal markets then find different companies with the right market presence.

It is possible to work with a licensee in a foreign market and learn from them. For example, it may be possible to improve products or to adjust them so that they meet local market needs. This can often be done early on in the product's life cycle to help achieve better market coverage.

An overseas licensee may well save a lot of expense in terms of research and development. For example, reciprocal licensing in the car and telecommunications industries enables companies to exploit the fruits of research carried out by one company alone.

Where well known brands are licensed overseas, the local licensee can take advantage of an established brand with a known name and goodwill. It is very important for the licensor to ensure that brand standards are maintained in an overseas market.

It is possible to negotiate further income streams from support services and training.

Disadvantages

It is important for the company to find the right partner to licence with in a local situation. Understanding what an overseas partner can do is essential to making licensing a success.

UK Trade & Investment can help in finding the right individual or company.

It is important to ensure that there are proper control provisions in the licence. It is especially important with licensing to have a well-drafted licence drawn up by experts. The licence should contain things such as full audit provisions and as licensor it may be important to police those audit provisions.

In the long term, royalty payments from a licence may not provide the maximum for a licensor. It could be that setting up locally can generate better profits in the long run.

It is absolutely key to the success of the licence for it to be properly negotiated and drafted. Licensing can be a complex arrangement and it is important for a licensor to be properly guided in terms of royalty payments, audit provisions and minimum sales.

The licensor is often required to provide technical assistance and training in brand standards etc. depending upon where the licensee is based. This will need to be factored into the licensing arrangements.

The licensor must be satisfied that the licensee can make a local market from the products. Some products are more popular in some cultures than in others.