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Licensing may be answer to global marketing

I have been working with a client that believes he possesses one of the most robust and technological breakthroughs that the world has seen in the last 50 years. The group is comprised of two technologists and a business development and operations partner.

During the last six years, the business partners have been working together researching and developing the technology to the point where they can now create specific applications from the technology.

In this case, the technology has the potential to be used in many applications benefiting the industrial, military and aviation industries.

Decision time

Once an application or two has been perfected, then the principals have a major decision to make. Do they move forward and develop what could end up being a billion dollar business? Or do they turn it over to another company who has the money, background, contacts and skill set to fully exploit the technology to its full potential?

The concept of licensing can give an inventor, developer or creator of a product or technology the option of turning a well designed, well conceived and perfected product into a well commercialized and well promoted product. Quite often, inventors of technologies and products are idea driven and not necessarily business savvy. You might even say that they possess the ability to develop and create many things but don't have the keen sense or the desire to take it to the market place.

A major benefit

That is where licensing can be a tremendous benefit for an inventor or developer. A good licensing agreement can be a win/win for both the inventor and the licensee, the promoter, manufacturer or marketer.

Technology licensing is a contractual arrangement in which the licensor's patents, trademarks,

service marks, copyrights, trade secrets, or other intellectual property may be sold or made available to a licensee for compensation that is negotiated in advance between the parties.

This compensation, commonly referred to as royalties, may be a lump sum royalty, a running royalty, which is a royalty that is commonly based on a specific volume of sales or production, or a combination of both. Inventors and developers frequently license their technology to companies that conduct business in the industry that the technology is based in order to manufacture, market and/or fully exploit the technology into the marketplace.

A technology licensing agreement usually enables a firm to enter a specific market quickly, and poses fewer financial and legal risks. The inventor or developer is not bothered with owning and operating a manufacturing facility, developing and executing major sales and marketing plans or employing and managing a business operation to further support the overall growth of the products that support the technology.

Licensing also permits the inventor or developer to leave behind all of the problems of running a business and just focus on the existing technology and its future enhancements. For these reasons, licensing can be a particularly attractive method of "exporting" for inventors or developers with little business experience or who simply possess the drive to create and not market and sell.

Helps service trade

Technology licensing is not limited to the manufacturing sector. Franchising is also an important form of technology licensing used by many service industries. In franchising, the franchiser, called the licensor, permits the franchisee, called the licensee, to employ its trademark or service mark in a contractually specified manner, in the form of a franchise agreement, for the sales and marketing of goods or services.



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The franchiser usually continues to support the operation of the franchisee's business by providing advertising, accounting, training, and related services and in many instances also supplies products needed by the franchisee.

Technology licensing has certain potential drawbacks. One negative aspect of licensing is that control over the technology is weakened because it has been transferred to an unaffiliated firm. If that firm does not have the ability to promote the technology properly then the inventor or developer might not get the most bang for the buck.

Make sure when negotiating a licensing agreement to include specific commitments by the licensee as to how, what, when and where they will be promoting the technology.

Most importantly, make sure that if the licensee does not perform or meet the requirements to promote, market and sell the technology or products then you, the inventor or developer, can regain full control of the technology in order to market it yourself or find another partner to market and sell for you.

Ian M. Berkowitz is a former attorney/advvisor with the United States Small Business Administration in Washington D.C. During his tenure with the Federal Government he specifically worked in the areas of disaster relief for homeowners and businesses and government contracting. He is currently a practicing business and real estate attorney in Boca Raton. In addition to his law degree, Ian also holds a Masters Degree in Government from The John Hopkins University.