



The Guide to Monetisation

**Key considerations for building a
strategic patent licensing programme**

The Guide to Monetisation

The first edition of the *IP Guide to Monetisation* provides global coverage and a nuanced exploration of valuing and monetising patents, trademarks, copyright and trade secrets, to answer the big questions of where to find untapped intangible assets, how to put a price on them and why they could be the engine to an entirely new revenue stream for businesses.

Generated: October 9, 2024

The information contained in this report is indicative only. Law Business Research is not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this report and in no event shall be liable for any damages resulting from reliance on or use of this information. Copyright 2006 - 2024 Law Business Research



Key considerations for building a strategic patent licensing programme

Geraldine Tan, Edmund Kok and Haw Sue Hern

Amica Law LLC

Summary

WHAT IS A PATENT LICENSING PROGRAMME?

KEY CONSIDERATIONS IN BUILDING A STRATEGIC PATENT LICENSING PROGRAMME

CONCLUSION

Intangible assets, including patents, have the potential to drive business growth and can be leveraged to establish and maintain competitive advantage in existing and new markets.

Traditionally, patent owners used their patents as 'exclusionary' tools: to stop others from encroaching on their patented innovations. However, the utility of patents goes beyond the power of exclusion. Patents can also be a positive and collaborative tool to generate additional revenue streams, expand into new markets, establish strategic partnerships and achieve new business capabilities. This can all be achieved through the development and implementation of a strategic patent licensing programme.

WHAT IS A PATENT LICENSING PROGRAMME?

A patent licensing programme refers to a structured approach or framework through which a patent owner grants others rights to use, manufacture, sell, distribute or otherwise deal with an invention that is protected by their patent.

A strategic patent licensing programme is one that is aligned with the company's business objectives and is reviewed and updated regularly to reflect the evolving changes in the company's business direction and objectives, the wider industry and customer needs.

A well-executed licensing programme can yield the following benefits:

- revenue generation;
- market expansion;
- strategic alliances and partnerships;
- new business capabilities (e.g., launching of new products and services); and
- lower litigation risks, thereby yielding savings in cost, time and effort.

KEY CONSIDERATIONS IN BUILDING A STRATEGIC PATENT LICENSING PROGRAMME

BUILDING A PATENTS PORTFOLIO

As Sun Tzu says in *The Art of War*: 'He who occupies the high ground . . . will fight to advantage.' Thus, a prerequisite for a patent licensing programme is the creation, maintenance and proactive management of a robust patent portfolio.

Having a well-protected portfolio of patents is crucial to any innovative business. In addition to providing a limited-time monopoly over the claimed invention, patents may deter competitors from developing competing products. Many research and development (R&D) teams search patent databases for prior art when new product ideas are generated; the discovery that a similar product has already been patented would make them think twice about commercialising the idea. A strong patent portfolio will also be attractive to investors, as it showcases a company's innovative capabilities and earning potential and creates a barrier to entry for competitors.

From a patent licensing perspective, a well-built patent portfolio also opens doors to strategic partnerships, as complementary technologies can be combined to create a more valuable offering for the market. These partnerships can involve cross-licensing arrangements in which both parties can access each other's technologies and expand their product capabilities without the distraction of patent infringement suits. In addition, having a strong

patent portfolio can improve licensing opportunities and function as a bargaining chip for leverage when negotiating terms with other players in the market.

To build a strong patent portfolio, a business must first analyse its inventions and patents and identify the ones that confer a competitive advantage in the market and that are most desirable to potential licensees. The business can then decide to focus its resources on protecting and monetising these inventions.

As a first step, companies should have a system in place to acquire invention disclosures. Employees should be educated about the importance of intellectual property (IP) protection and the invention disclosure process, and clear procedures should be established for submitting invention disclosures. By working closely with the R&D team to document new ideas, the business can identify inventions for patent protection early on, based on considerations such as the patentability and commercial viability of the technology.

Companies should consider conducting a thorough IP audit to assess the strength, scope and relevance of their patent portfolios. In addition to enabling the identification of potential weaknesses or gaps in the scope of existing patent protection, IP audits may also reveal patentable inventions that may have been overlooked. Furthermore, IP audits may uncover underutilised assets with commercial potential, which can lead to monetisation opportunities or strategic partnerships. Upon determining which patents are commercially valuable or are aligned with the company's business objectives, the business can make informed decisions on whether to maintain, sell or abandon specific patents in the patent portfolio.

Knowing its existing patents, the business can then determine which patents are suitable to be licensed. One approach is to categorise patents based on their strategic value and licensing potential. Conducting regular reviews of a patent portfolio helps to identify patents that are no longer essential to a business's goals and therefore have low strategic value. For example, there may be patents that cover technologies that the company is not currently using, technologies that the company does not plan to develop due to a lack of expertise or resources, or that do not gel with the business's core commercial objectives. Such patents may be good candidates for licensing, to achieve commercial gains from unused or underutilised assets. On the other hand, patents that are directly related, relevant or core to a business's current and future products may not be ideal for licensing; a business would benefit more from keeping the technology exclusive to maintain a competitive advantage.

IDENTIFYING POTENTIAL LICENSEES

To maximise the licensing value of a patent portfolio, it is important to identify prospective licensees who may be interested in using or commercialising the inventions identified. Investing in research and analysis to understand potential licensees' needs and spending time building relationships with potential licensees are key to finding ideal licensing partners.

One key strategy in market research is to identify companies that are already active in the industry and have the resources necessary to develop products based on the patented technology. Another strategy is to perform a competitive landscape analysis to uncover companies in need of licensing. By analysing competitors' products and patent portfolios, a business might identify companies with complementary technologies or with gaps in their patent portfolio. In addition, a citation analysis can be performed to find the patents or patent applications that were cited during prosecution of the patent to be licensed. The owners of such cited patents or patent applications may be ideal candidates for patent licensing.

Apart from relying on hard data, businesses should also build connections with potential partners. They should leverage industry associations and events to connect with potential licensees and lean on existing relationships with industry partners. The business of licensing is more than just numbers.

Finally, it is also possible to advertise patents on patent licensing platforms such as the United States Patent and Trademark Office's IP Marketplace Platform to promote a patent portfolio to a wider audience of potential licensees.

NEGOTIATING THE LICENCE AGREEMENT

Once a business has established a robust patent portfolio, articulated its licensing objectives and identified its potential licensing partners, the next step will be to put in place a patent licence agreement that clearly documents the legal parameters of the arrangement.

A well-defined patent licence agreement is critical to ensure that both licensor and licensee fully understand their rights and obligations. Some key terms and considerations include the following:

- Definition of the licensed IP: What are the specific patents or patent applications that are being licensed? Is there any other IP, such as technical knowledge and trade secrets, that will be licensed? Are improvements or modifications to the patented invention included?
- Scope of licence: What rights of use are granted to the licensee? Are the rights exclusive? Are they limited to a particular field of use or geographical territory? Can these rights be assigned or sub-licensed to other parties?
- Duration of the licence: How long is the licence valid for and are there any rights of renewal?
- Financial terms: Are there licensing fees or royalty fees? When are these due, and how would they be paid?
- Extent of control and oversight by the licensor: Are measures and mechanisms in place to ensure accounting integrity and contractual compliance, including provisions relating to quality control and performance standards?
- IP ownership and protection: What assurances on IP protection are the parties giving each other? How will patent infringement claims be handled?
- Termination events and consequences of termination: What events would give rise to termination? What happens upon termination?
- Dispute resolution: How will disputes be resolved?

Each licensing deal will be unique with its own set of considerations and complexities, and the terms will differ. A successful licence agreement is mutually beneficial and should reflect the interests of parties fairly and equitably.

MANAGING AND ENFORCING THE LICENSING PROGRAMME

Effective management and enforcement of licensing agreements is also an essential component of a strong patent licensing programme. Failure to do so may lead to loss of revenue for a licensor or, in the case of a licensee, may result in inadvertent contractual breaches.

A business should therefore put in place processes to facilitate monitoring and management of its licence agreements. This will optimise the value of the licensing arrangement, minimise contract breaches and reduce the risk and costs of enforcing and litigating infringement claims. Companies can consider using contract management software or basic spreadsheets to record key information, such as the licence term, renewal dates, royalty payment due dates and reporting deadlines, and setting up automated reminders for these obligations. A copy of the signed licence agreements should also be stored in a central repository to enable easy access and retrieval within the organisation.

Mechanisms should also be in place to ensure regular reporting and communication between the contracting parties, and the licensor should retain the ability to audit and inspect relevant records and operations of the licensee to verify ongoing compliance with the licence terms and to deter and minimise the risk of a licensee breaching the licence terms.

KEEPING AN EYE ON FUTURE TRENDS

As the patent licensing landscape is constantly evolving, it is crucial to monitor emerging trends, technological developments and shifts in the market, and to ensure that patent licensing strategies and programmes are tailored to meet and ride the tide of these changes.

Some current trends are:

- collaborative licensing models, such as patent pools and alliances. These models allow multiple patent holders to license their patents collectively and serve to:
 - reduce the risk of infringement lawsuits among the pool members. This leads to savings in costs, resources and effort that may otherwise be spent on managing and dealing with infringement lawsuits; and
 - facilitate and streamline access to patented technologies, especially where multiple technologies are required to develop products and services (e.g., internet of things and telecommunications technology), which is particularly useful as technology becomes more interconnected and complex. This in turn simplifies the licensing process and reduces transaction costs;
- open innovation, where companies adopt a more collaborative approach to innovative development by engaging with external parties in their product development to accelerate innovation, facilitate faster product-to-market development and drive market growth;
- use of artificial intelligence features to generate efficiencies in tools and software used in patent analysis, licensing and management, and contract management; and
- increasing interest in emerging markets, including Southeast Asia. Based on a 2024 Southeast Asia Patent Landscape Report issued by the Intellectual Property Office of Singapore, a record high of 54,000 patent applications were filed in Southeast Asia in 2022, particularly in areas such as digital technologies. Interestingly, filings from Chinese applicants have more than doubled in recent years, underscoring Southeast Asia's global strategic importance.

CONCLUSION

Building a strategic licensing programme requires businesses to take a proactive approach to developing and managing their patent portfolios; to understand the value of their innovations and patents both to the company and to the wider market; to establish the right contracts, resources and processes to manage licensing negotiations and relationships; and to keep up to date with industry and market developments. With a strong patent licensing strategy tailored to its unique goals and needs, a business may discover a well-kept strategic asset in its possession that can fuel revenue generation, market expansion and competitive positioning.

ENDNOTES

[1] Geraldine Tan and Edmund Kok are partners and Haw Sue Hern is an associate at Amica Law LLC

AMICA LAW_{LLC}

Geraldine Tan
Edmund Kok
Haw Sue Hern

geraldine.tan@amicalaw.com
edmund.kok@amicalaw.com
haw.suehern@amicalaw.com

Tel: +65 6303 6210

<https://www.amicalaw.com/>

[Read more from this firm on IAM](#)