



Australian Government

IP Australia

IP Commercialisation Strategies

Strategic options for commercialising your IP

Once you have secured ownership of your IP, you are ready to tackle the commercialisation process. Essentially, commercialising IP is the process you undertake to move your innovation from 'just another brilliant idea for a product or service' to the market place. You need to consider many issues before commercialising your IP to identify what you think will work for your business. There is no one 'best' strategy. How you commercialise your IP depends on your particular IP, your circumstances, business capabilities, understanding of the market and your ability to generate finance.

You need to consider whether you want to commercialise in-house or with a partner. Or you might decide that you do not have the capability to manufacture, market and sell your product in-house but do not wish to partner with another company either. In this case, you may be able to outsource some of the required tasks. There are many options for taking your IP to the market; a couple of the most common are listed below. Remember that there are different issues to consider when commercialising in Australia as opposed to internationally.

Licensing

Licensing your IP to another party can be an effective way to exploit IP, particularly if you don't have the resources or experience to

develop and market your product or service. Essentially a licence is a contract where the IP owner gives permission to a licensee to commercialise that intellectual property. A licence may extend to all aspects of commercialisation, from developing it further, to manufacturing products, marketing, promoting and selling those products. As with all other aspects of commercialising your IP, licensing needs to fit in with your business strategy and practices.

An exclusive licence is the most commonly used mechanism to commercialise intellectual property with a partner but there are many other types of licenses including know-how, trade mark and non-exclusive. Licensing arrangements are a fairly common method of exploiting copyright, patents, design and trade marks but any type of intellectual property can be licensed. They give the licensee the right to use (but not own) the IP. The owner of the rights will usually get payments (in the form of royalties) in return for its use. The value of these rights is a commercial agreement based largely on the IP of the creation or invention.

Another approach is to take out a licence on someone else's IP. For example, a franchise is a type of licence. You may have a good idea but find someone else has already thought of it. Taking out a licence is a cost effective alternative to investing in a proven



Australian Government

IP Australia

business. If you think licensing is for you, we recommend you seek the advice of a licensing expert to help you negotiate a good deal.

Franchising

When the owner of a successful business wants to expand without borrowing capital to develop, they can license IP to franchisees. This generally includes use of trade marks, logos, promotional material, the business system, various processes and shop fitouts.

Franchising is a method or system for distributing goods and services. The franchisor owns the IP rights over the business system, service method or special product. The franchisee pays a fee or regular royalties for the right to trade under the brand name. The franchisee benefits from coordinated marketing efforts and a developed business system.

Assignment

Unlike licensing where the creator or owner of the IP retains ownership and some control over the use of the IP, an assignment is an outright sale. When IP owners transfer their ownership, they can't impose any performance obligations on the new owner.

Even with the complete loss of IP ownership, assignment is worth considering as an alternative commercialisation strategy. For example, an owner may prefer to receive a substantial up-front lump sum payment for the assignment, instead of smaller royalty payments throughout the commercialisation period, which is the case with a license. Capitalising on the financial rewards up-front may be the preferred option and often is the option with a smaller amount of risk compared to licensing.

Such a lump sum payment should be regarded as a purchase price. The owner

should factor into that purchase price all the costs of taking the intellectual property to its state of development to the time of the assignment. These will include all the direct costs of research and development, all indirect costs, all out of pocket expenses such as the cost of materials, the cost of any outsourcing, and the cost of protecting the intellectual property. As well, the lump sum amount should incorporate a profit component, and the potential market value of the technology or IP.

Who can help?

In the first instance, IP Australia's website provides further details about commercialising IP rights, along with web-links to relevant agencies. IP Australia recommends that you seek professional advice from a patent attorney, trade mark attorney, IP lawyer and/or business planner before making any final decisions.

For detailed information on licensing, contact the Licensing Executive Society of Australian and New Zealand (LESANZ), www.lesanz.org.au.

For further information on franchising, contact the Franchise Council of Australia, www.fca.com.au.

Disclaimer:

This information is intended to help the reader gain a basic understanding of some IP principles. It is not designed to provide legal, business or other relevant professional advice. IP Australia recommends that you seek independent legal, business or other relevant specialist advice.

© IP Australia 2003