



## Corporate IP Licensing Evaluation Process

The following breakdown is intended to identify the steps most large companies take to evaluate a patented technology being considered for licensing:

### 1. Identify Business Needs & Objectives

- **Strategic Fit:** Assess how the patented technology aligns with the company's goals, products, or services.
  - **Competitive Advantage:** Determine if the technology provides a unique selling proposition.
  - **Feasibility:** Ensure the company has the resources, infrastructure, and expertise to implement the technology effectively.
  - **Build vs. Buy Decision:** Compare licensing with developing the technology in-house, considering time, cost, and technical feasibility.
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### 2. Preliminary Patent Review

- **Patent Search:** Conduct a search using databases like USPTO, EPO, or WIPO to verify patent status.
  - **Patent Scope:** Review the claims section to understand the specific rights granted.
  - **Patent Expiry & Legal Status:** Check the expiration date and confirm the patent is still active.
  - **Ownership & Chain of Title:** Verify the current owner to ensure licensing rights can be granted.
  - **Potential for Workarounds:** Assess if alternative solutions exist that could circumvent the patent.
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### 3. Technical Evaluation

- **Performance & Compatibility:** Assess whether the technology meets company standards and integrates with existing systems.
- **Scalability:** Determine if the technology can support growth and increased demand.
- **Testing & Validation:** Conduct proof-of-concept testing to confirm feasibility.

- Need for Further R&D: Identify any modifications or additional development required.
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#### 4. Market & Competitive Analysis

- Market Demand: Evaluate the potential market size and growth opportunities for the technology.
  - Industry Trends: Assess how the technology aligns with emerging trends.
  - Competitive Landscape: Identify existing and potential competitors using similar technologies.
  - Barriers to Entry: Consider regulatory, technological, or cost-related barriers that might impact adoption.
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#### 5. Legal & Intellectual Property (IP) Due Diligence

- Ownership Verification: Confirm the patent owner has the authority to grant a license.
  - Freedom to Operate (FTO) Analysis: Ensure licensing the patent does not infringe on other existing patents.
  - Litigation & Disputes: Check if the patent has been involved in legal challenges, which could impact its validity.
  - Geographical Coverage: Ensure the patent is enforceable in the markets where the company intends to use it.
  - Existing Licenses & Restrictions: Review whether the patent has prior licensing agreements that might affect exclusivity or sublicensing rights.
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#### 6. Financial Assessment

- Licensing Costs: Analyze upfront fees, milestone payments, and ongoing royalty structures.
  - Revenue Potential: Estimate the potential income generated from the technology.
  - Cost vs. Benefit Analysis: Compare licensing costs with potential R&D expenses for developing a similar technology in-house.
  - Return on Investment (ROI): Assess long-term profitability and break-even points.
  - Tax & Accounting Considerations: Determine how licensing fees impact financial statements and taxation.
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## 7. Risk Assessment

- IP Infringement Risks: Assess the risk of litigation from third-party patent holders.
  - Regulatory Risks: Ensure compliance with industry regulations (e.g., FDA for medical tech, FCC for telecom).
  - Operational Risks: Identify risks related to technology integration and potential technical failures.
  - Dependency Risks: Consider the impact of relying on the licensor for continued innovation, support, and patent renewals.
  - Termination Risks: Evaluate the impact if the licensor revokes or fails to renew the license.
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## 8. Negotiation of License Terms

- Scope of License: Define whether the license is exclusive (only your company can use it) or non-exclusive (others can also license it).
  - Duration & Renewal: Specify the length of the agreement and renewal conditions.
  - Geographical Limitations: Determine where the technology can be used or sold.
  - Financial Terms:
    - Upfront Fees – Initial payment to access the technology.
    - Royalties – Ongoing payments based on revenue or production volume.
    - Milestone Payments – Payments tied to performance goals.
  - Sublicensing Rights: Clarify whether the licensee can sublicense the technology to third parties.
  - Technology Transfer & Support: Define if the licensor will provide training, maintenance, or updates.
  - Termination & Exit Clauses: Establish terms for contract termination, such as breach of contract, failure to pay, or business closure.
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## 9. Contract Review & Finalization

- Legal Review: Have legal counsel review all terms to ensure clarity and enforceability.
  - Compliance with Laws: Ensure the agreement adheres to antitrust laws, export control regulations, and other legal requirements.
  - Dispute Resolution Mechanisms: Define how disputes will be handled (e.g., arbitration, mediation, or litigation).
  - Sign & Secure Approvals: Obtain final approvals from relevant stakeholders before executing the agreement.
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## 10. Implementation & Monitoring

- **Technology Integration:** Ensure smooth adoption and implementation of the licensed technology.
- **Compliance Monitoring:** Regularly verify adherence to licensing terms (e.g., royalty payments, usage restrictions).
- **Performance Assessment:** Track key performance indicators (KPIs) to measure the technology's impact.
- **Periodic Review:** Reassess the agreement over time to determine if renegotiation or renewal is needed.