

Companies are Losing out on IP Licensing Revenue

According to a recent licensing competitiveness study conducted by Pricewaterhouse Coopers, both large and small companies are finding it increasingly difficult to obtain all of the revenue they are due from their intellectual property licensing agreements. Over 33% of small high-tech companies surveyed report lost licensing revenue in the last year and large technology companies in the U.S. face even higher risks. A significant number of companies report substantial losses of up to 20%. "Royalty leakage" can have several underlying causes. Companies may not have a clear understanding of the royalty terms in the license agreement. The agreement can be ambiguous, leaving it open to differing interpretations, or the licensee may lack appropriate controls or may not accurately report all sales relating to licensed IP. Companies can help reduce the risk of lost revenue by carefully crafting the royalty provisions of the license agreement, according to SP attorney Julie Jennings. Jennings notes that royalty provisions should contain clear descriptions of the sales figures from which the royalties are to be figured, including any deductions therefrom, as well as specific payment schedules, royalty reporting requirements, and a right for the licensor to audit the licensee's royalty records.