

Licences available as of right for UK patents

A licence is an agreement between the owner of an intellectual property right and another party. It grants the licensee permission to do something that would otherwise be an infringement of the rights without the licence. In this article, we will explain what a UK patent endorsed 'licences of right' means, how you can do this, and the consequences.

What is a 'licence of right'?

The UK Patent Office has a database of patents that are endorsed 'licence of right'. This means that the patent holder has agreed to licence their patent to anyone who asks.

Effect of endorsement of UK patent as "licences available as of right"

If a patent is endorsed 'licence of right' then the patent holder cannot refuse to grant a licence, except in the circumstances of importation from outside the European Economic Area (EEA) and where they are working the invention themselves in the EEA. If the patent holder is not working the invention in the EEA, then they cannot refuse a licence as of right to anyone who applies.

Any licence will still be an ordinary commercial licence and the terms and royalties will be a private matter between the patent holder and the licensee or licensor. However, if the terms of the licence cannot be agreed upon, the matter can be referred to the UK Intellectual Property Office, who will then decide on fair terms for the licence.

Alternatives to a 'licence of right'

Companies may choose to advertise that their patents are available to anybody under a licence, but that is not the same as endorsing the patent at the national patent office that a licence is available as of right, because the third party does not have a right to a licence.

There may also be altruistic reasons for allowing your patents to be licenced as of right. Tesla allow their patents to be open sourced royalty free. Currently, they are achieving higher safety and emission standard than their competitors. By making this technology available they hope to increase the worldwide manufacture of electric vehicles and reduce the effects of climate change.

Rather than commit to making licences available as of right to anyone, the patent holder can pick and choose which parties they will grant a licence to, in a normal commercial arrangement without registering licences available as of right.

How can you apply for a licence of right endorsement?

To apply for a licence of right endorsement, you will need to file a Patents Form 28. This should reach the IPO at least 10 working days before your next renewal fee is due in order to take effect and reduce the next official renewal fee.

Licences are shown as available once the UK register for the patent is endorsed "licences available as of right". However, that doesn't mean the patent holder has entered into a licence with third parties as soon as the UK patent register shows the endorsement. Third parties still need to apply for a licence from the patent holder. If it turns out that a prospective licensee has already been infringing before applying for a licence, then the terms of the licence can include a retrospective element, i.e. a licence in respect of past infringements in return for a royalty, as well as giving a licence for future products.

Where can you endorse your patents "licences available as of right"?

Making licences available as of right by recording that at the patent office on the register for a patent is not universally applicable in each country. Each country has its own patents law. Some countries do have licences available as of right provisions whereas others do not. In Germany, you can make a declaration on the German register of willingness to make a licence, which is broadly equivalent to a licence available as of right. Alternatively, you can make a non-binding declaration of being interested in a licence. The former obliges the patent holder to give a licence, whereas the latter does not oblige giving a licence, but it does let third parties know that the patent holder is willing to consider a licence. This information is recorded on the German patent register in either case.

What are the benefits?

The main advantages of having your patent endorsed with a 'licences of right' is that it lets other people know you are prepared to licence your intellectual property. Some patents contain useful technology but for various reasons, the patent owner is not able to generate sales from patented products. A licence available as of right would allow other businesses to use these patents in return for a royalty, allowing the recovery of costs and potentially generating income from the original innovation.

The annual renewal fees on UK patents endorsed “licences available as of right” are halved, decreasing the maintenance cost of your patent

A licence available as of right can also include a clause that the licensee will not challenge the validity of the patent or can include a clause to withdraw from any challenges to the patent already started. Competitors may occasionally attempt to restrict patents of other companies by opposing them or by applying for revocation, knowing that oppositions and revocations are costly and that a smaller company may not have the resources to defend their patent. A licence available as of right can be a way to keep ownership of the patent and avoiding an opposition or revocation action from a competitor.

Although the basic nature of a patent is to provide a monopoly on technology, patents can also be used in a permissive manner to allow distribution or propagation of technology by the grant of licences.

What are the disadvantages?

The main difference between a licence available as of right and other types of licence are that that by endorsing your patents ‘licences of right’ means that you effectively lose exclusivity on your technology, and lose control as to who can obtain a licence, because anyone can obtain one as of right. Your patent is no longer effective to prevent competition. You give a right to third parties, including competitors, to make use of the invention, rather than being able to choose between enforcing the patent against other parties or licensing it to other parties at your discretion.

By endorsing the patent to be licences available as of right, you undermine one of the basic functions of the patent, that is to prevent competition and to give exclusivity in the marketplace. It is also not possible to grant an exclusive license, which may be more valuable, while licenses as of right are available.

Cancelling the ‘licences of right’

You can cancel a licence of right endorsement on a UK patent at any time by filing a Patents Form 30. You will have to pay the balance of all renewal fees which would have been paid if the entry had not been made and from then on pay the standard renewal fees.

The patent office will advertise your cancellation request in the Patents Journal for 4 weeks to allow anyone to oppose your cancellation request. Your 'licence of right' entry will be cancelled:

- If there are no existing licences
- You have paid the balance of renewal fees
- Any opposition to the cancellation has been dealt with

Is this something you should consider?

There is a commercial assessment to be made as to whether the point of having a patent is to prevent competition and gain exclusivity with the customer, or whether there is more to be gained by allowing open use of your technology but with payment of a royalty.

If you have any further questions about the licensing of intellectual property rights or anything else relating to patents, trade marks or designs, please contact one of our offices to speak with our attorneys.

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