

# THE IP LICENSING CRASH COURSE

12 WAYS TO MULTIPLY YOUR PROFITS

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BY LICENSING YOUR INTELLECTUAL PROPERTY

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BOB SERLING

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## **Introduction – Is your Intellectual Property a lucrative new profit center?**

While most business owners focus exclusively on their core business, a number of forward-thinking businesses are cashing in by licensing out their Intellectual Property. In fact, in many cases, they're making more money by licensing out their IP than they make through their core business.

In this short course, I'm going to fill in the blanks so you clearly understand how this is done. You'll see how any business – including yours – can generate large, ongoing streams of passive income from a variety of IP assets you already have, but often overlook.

This “crash course” will get you quickly up to speed on the strategies and tactics that make licensing both easy and successful for nearly any business. And I'll include a number of case studies that demonstrate how profitable licensing can be.

To help you determine whether or not licensing your IP is a good fit for your business, I'll give you seven questions that clearly indicate whether it's a “yes” or a “no”. Then I'll share 12 strategies anyone can use to start profiting right now by licensing their Intellectual Property.

So by the end of this short course, you'll have a highly usable “starter kit” for generating large streams of passive income for your business by licensing your IP.

Sound good? Then let's get right to it!

## What exactly is Intellectual Property?

Let's start with an all-important question: What exactly is Intellectual Property and what types of IP can be converted to new profit centers through the use of licensing? The answer may surprise you.

You see, if you're like most business owners and entrepreneurs, you probably have a file jammed full of more ideas than you have time to get to. In addition, you have products and services that once sold well but are no longer the focus of your business. These all have value to other businesses – and that value is often substantial.

Plus, you have a wide range of systems, training, business processes and technology you've developed for your business – along with all the knowledge and experience it takes to develop them – that also have significant value to other businesses. This is the area that most businesses overlook and rarely understand the massive value it represents.

All of these assets are Intellectual Property that can be licensed to other businesses. In addition, as I've already mentioned, you can often make more money from licensing out these assets than you make with your core business.

In just a minute, I'll give you a number of examples of how other businesses are doing this. But first, let me share a little of my background so you'll understand what qualifies me to speak to you about licensing in the first place.

## A quick tour of my experience with licensing Intellectual Property

My own introduction to licensing IP came from the pre-Internet days of working as a marketing consultant with high-tech and financial services companies. These two industries fit well together, because financial service companies were the largest users of mainframe and mini-computers.

Now, if you aren't familiar with large scale computing systems, almost all hardware is leased and virtually all enterprise level software is licensed rather than purchased. Back in those days of the 1980s, IBM and Xerox dominated the market, with IBM commanding a much greater market share than Xerox. So most of my financial services clients were using IBM systems.

At that time and even today, it was a given that large-scale software systems were licensed rather than purchased. But IBM took that one step further – and that step was a magnificent and highly profitable giant step.

You see, in addition to leasing out their hardware, which is a type of license, IBM also licensed out the accompanying software – of which there were dozens of packages and hundreds of variables within those packages.

So far, this sounds like a standard licensing deal. But here's where it really heated up...

In addition to licensing out their software, IBM also licensed out the *training materials* for using that software. All together, they offered thousands of courses. In fact, at one time, since they had a publishing arm that printed all their manuals, IBM was the single largest publishing house in the world.

However, you could not buy their training programs. They were only available on a licensing basis.

The method IBM used is known as a “seat license”, which means you pay the licensing fee for each individual, or “seat”, who takes the course. And on average, each course was licensed for \$3,500 per seat. So if you had 8 people watching the same training videos, you were charged \$3,500 each for all 8 of those people.

As a marketing consultant, it didn't escape me that this was practically a legal way to print money. Create a training program that can't be purchased anywhere else... send out one set of videos... and charge through the nose for *every* person who accesses those videos. Simple, but brilliant!

Seeing this in action, it quickly and thoroughly struck me that licensing IP was the way to go. And in particular, licensing where there was a recurring fee or a share of the profits for using the same Intellectual Property over and over again.

Based on what I'd seen, I began to experiment with *licensing out my services* rather than charging a flat rate. Rather than selling new marketing campaigns that took considerable time and effort to develop, I took the most successful marketing campaigns I had done for clients, eliminated any personal information that belonged to those clients, and came up with a set of powerful templates that could be quickly customized and licensed to clients in just about any industry.

The promise of getting a proven marketing campaign with guaranteed results rather than pioneering something new that could easily fall flat on its face appealed to hundreds of small businesses and I was quickly overloaded with more clients than I could handle. Not only was my development time slashed to the bare minimum, but I was now getting a retainer plus a percentage of the profits to license out my services rather than charging a flat fee – so my profits increased substantially.

However, I *still* wasn't taking full advantage of my Intellectual Property. You see, to take advantage of the full profit potential of these licensable marketing campaigns, I had to ramp things up to yet another level.

Fortunately, that was easy to do. I accomplished this by licensing the use of these marketing campaigns to dozens of other consultants for a five-figure licensing fee plus a share of their profits. By handing off the day-to-day duties to these licensed consultants, I could take a lot more time off, be rewarded handsomely, and grow my company's reach and reputation far more quickly than I could ever hope to do on my own.

Not a bad combination! And now I was taking full advantage of my Intellectual Property.

My personal experience is just one example of how to fully profit from licensing your Intellectual Property. Now, let's take a look at a couple examples of how other companies are doing this with completely different types of IP.

## Example 1 – The \$350 million barbeque

If you're like most people, you have a barbeque sitting out on your patio. But is that barbeque worth \$350 million?

It all depends on how you look at it.

You see, most people look at an object and see only the object itself. But one company makes \$350 million EACH year, simply because the owner looked at things a bit differently than everyone else does.

Now, the owner of that company was Henry Ford. Yes, the same Henry Ford who created the assembly line that made the Ford Motor Company so successful.

But what most people don't know is that one of the byproducts of making the wooden parts for the interior of the Model T was a substantial amount of wood scraps. And Henry Ford was eager to find a way to turn these unused assets into new profits.

With a bit of quick research, Ford learned of a process that involved chipping the wood into small pieces, charring the small pieces and adding a binder to make charcoal briquettes.

Instantly, a new industry was born. Ford co-founded the Kingsford Charcoal Company to make and sell those briquettes. He partnered with a relative, E.G. Kingsford, who located and built the charcoal plant.

The Kingsford Charcoal Company was profitable right from the start and is still going strong today with annual sales of \$350 million. In fact, they still dominate the market, controlling more than 80% of all charcoal sales.

So here's the important take away:

*What Intellectual Property do you have (some of which you may consider to be scrap) that you can look at in a new light and make available to other businesses that would gladly pay you top dollar to get access to?*



## **Example 2 – Turning a company's assets into 22 multi-million dollar profit centers**

Now, let's fast forward to a more recent example. Springfield ReManufacturing Corp was founded in 1983 when 13 employees of International Harvester purchased the division that rebuilt engines for large vehicles.

At the time of the purchase, the company was on the brink of bankruptcy, losing \$2 million annually on sales of \$26 million. With the purchase price of \$9 million, many analysts felt the new owners had made a serious blunder.

However, those new owners were able to turn things around quickly. And a significant factor in that turn around was a plan to squeeze every penny of profit possible out of their Intellectual Property.

Senior managers at SRC looked at every option available for spinning off as many of their existing products, services and business processes as possible into new sub-companies, all run by their existing staff during their down time. As the core business was stabilized and these new companies quickly became profitable, the turnaround was accomplished quickly.

Due in a large part to this spin off strategy, sales grew by 30% each year. Within just 3 years, the company was extremely profitable and revenue had grown from \$26 million to \$42 million.

By continuing to pursue every opportunity possible to create companies around their Intellectual Property of manufacturing processes, business systems and business processes, SRC has spun off over 22 separate companies and now enjoys sales of \$400 million annually.

While most businesses view their Intellectual Property as having little or no value, SRC relentlessly mined the profits of every existing asset. And today, their spin-off companies generate nearly 10 times as much revenue as their core business!



## Is YOUR Intellectual Property worth millions?

These examples demonstrate how companies have been realizing the full profit potential of their Intellectual Property for decades. And in just a minute, I'll give you three Case Studies that will show you how my clients and my own company are fully leveraging our IP as well.

But more importantly, what you're probably wondering right now is how valuable is *your own* Intellectual Property? Are you sitting on unclaimed profits that could easily be worth millions to your business?

Fortunately, it's very easy to determine where your business stands on this. I've put together a set of seven questions that will tell you immediately whether or not you stand to benefit by licensing your Intellectual Property to other companies. Take a minute to answer them now:

**Question 1:** Do you have a product that sells well and could benefit from greater sales reach?

**Question 2:** Do you offer a service that other service providers could also offer, giving you broader market coverage?

**Question 3:** Are there additional markets you could be selling into but don't have the staff or budget to cultivate these sales?

**Question 4:** Have you developed systems or processes that could be used effectively by other companies within your industry or in other industries?

**Question 5:** Have you developed proprietary software for carrying out any aspect of your business that could be used by other businesses?

**Question 6:** Do you have marketing methods or materials that could be modified and used effectively by non-competing businesses?

**Question 7:** Do you have any other processes, systems, formulas or any other form of intellectual property that would be of value to other businesses?

If you answered "Yes" to one or more of these questions, then your business is in a position to license out your Intellectual Property and generate large, passive streams of income for many years to come.

So let me share three Case Studies that will show you how simple the licensing process really is and how other businesses are using licensing right now to substantially grow their bottom line profits.

## Case Study #1 – A \$2.6 million increase from Fractional Licensing

Fractional Licensing is exactly what it sounds like – devoting only a fraction of your business efforts to licensing your IP, while spending the majority of your time concentrating on your core business. Even so, this form of licensing can be quite profitable.

The Internet Marketing Center was founded in 1996 to offer internet marketing tools and training to small businesses. The original founder was Corey Rudl who was visionary in identifying the massive potential of the Internet as a marketing medium long before most businesses were even online.

A few years before Corey tragically passed away in 2005, I sold a division of one of my companies to him. This was a straight sale, but the one “extra” that Corey insisted on was that I throw in a couple consulting hours to give him and his partner, Derek Gehl, an immersion training in the basics of licensing their IP. Mind you, this was done in about two or three hours and it really only scratched the surface of what’s available through licensing.

Even so, the results they produced were exceptional. By taking some of the training products from the division they purchased from me and merging those with some of their own training materials, the team at the Internet Marketing Center created a new product that could be licensed to other businesses to sell.

This new package was intended to be used as just a test, due to the fact that they had very little time or staff available to manage this project. However, within the first week alone they collected \$1 million in licensing fees.

Then, by continuing to devote just a small portion of their staff’s time and effort to this project, they ended up producing a total of \$2.6 million in additional revenue they never would have seen without the introduction I gave them to licensing.

Because their annual sales revenue was around \$6 million, this represents a 43% increase in sales. But again, it didn’t require anywhere near 43% of their time, effort or staff to produce this lucrative gain.

Here’s how Derek Gehl describes their experience and their results in his own words:

*“With the first licensing strategy Bob showed us, IMC made about \$1 million in our first week of using it. Altogether, we’ve done at least \$2.6 million worth of business because of this one simple licensing strategy.”*

**Derek Gehl, former CEO  
Internet Marketing Center**

## Case Study #2 – Mirror Image Licensing produces best sales month ever

This case study features one of my clients who is taking advantage of a technique called “Mirror Image Licensing”. Here’s how this works. One of the licensable properties I offer is a package of pre-done marketing campaigns that consultants can license from my company and then license to their own clients.

So they pay a licensing fee for this package, then “mirror” what I’m doing by licensing out the individual marketing campaigns to their clients. The consultants win because the marketing campaigns have all been proven effective over many different industries, letting them bypass the months or years of development time it would take to create these kinds of campaigns from scratch.

The clients who license and use these marketing campaigns to sell more of their products and services benefit because they pay a fraction of what it would cost to have a campaign designed from scratch. And in most cases, their results are guaranteed, which eliminates all risk on the client’s part.

Now the marketing campaigns themselves give a consultant a powerful tool for quickly generating more business in their practice. But in addition to those campaigns, as part of their license they also receive my proprietary prospecting system for selling those campaigns. As a result of this complete package, our licensees can expect to generate substantial results quickly.

One of my licensees who just joined the program reported that by using this two-part process – consisting of our marketing campaigns and our prospecting system for selling them – his first month’s results exceeded his best sales month for the past 20 years. In fact, he generated so much business so quickly, that he had to temporarily shut down the prospecting system because his sales team had too many leads to adequately handle.

Simply by turning on a pre-done system that he had licensed, my licensee generated an immediate spike in leads of 150%. And when the smoke had cleared, he ended up with a 5-to-1 increase in prospects who were ready to sign a contract on the dotted line.

Here’s a complete description of the results as he reported them:

*“I would just like to thank you for making my first month in the CLC program my best sales month ever. I used one great idea I got from you on our introductory call in my next mass email to my list and got a 150% spike in leads.*

*Then, on Monday of this week I got a return on my email blast of 50 solid “ready to buy” leads when my typical return is 10 leads. I copied one of your campaigns that was designed to have 3 emails sent in sequence. Unfortunately I overloaded my sales team with too many*

*leads in one day so I had to call off the next 2 emails in that sequence out of fear that we weren't getting back to these super quality leads fast enough and I didn't want to waste them.*

*That's OK because I now have a proven winner that I can pull out in a couple of weeks when we have our team ready to handle the lead volume. I can't wait to dip into some of the other campaigns. With these additional leads this month, I will earn an extra \$30,000 profit. Not a bad return on investment for your CLC program."*

**David Rankine**

**Professional Prospecting Systems**

### Case Study #3 – Using licensing to create a 6-figure stream of passive income in just three months

Creating a 6 or 7-figure stream of passive income can be done much more quickly than you might think when you license out your Intellectual Property. This case study illustrates in detail how I recently did this with the marketing campaigns I mentioned above, generating a 6-figure stream of passive income over a period of just three months.

Starting in the middle of November I sent out an email introducing a new, master level program for consultants that lets them license my best performing marketing campaigns and my complete prospecting and sales system. This included many campaigns and all the key marketing pieces that I use in my own business and had not shared in any of my other programs.

By carefully screening for only highly qualified applicants and *not* making it available to anyone simply because they could afford it, the members got results quickly. Most are on target to make \$300k or more annually by using this system.

Each licensee pays me a \$14,000 licensing fee that's renewable annually, plus a percentage of their profits. I sold a number of licenses right from that first email, generating a sizable profit immediately.

Then, in February (just 3 months later), I sold a master license to that entire operation to another business. I received a six-figure deposit plus an ongoing, double-digit share of the profits they generate. And the deal is structured in a way that is partially self-liquidating for the buyer, so it's painless and they have a strong incentive to perform at the highest level – meaning more sales for them and higher royalties for me.

So let's get to the bottom line. In just 3 months, by packaging and licensing my IP, I was able to:

- Create a new division of my business from scratch and have it be extremely profitable within the first week of launching it
- Fully prove the model within this 3-month window
- Attract a master licensee to take over the entire operation

- Get a six-figure down payment, plus an ongoing double-digit royalty. Depending on overall sales, this will be worth between \$300k and \$600k per year to me, even though I do very little other than monitor my licensee's progress, spend an hour or two per month collaborating with them, and collect my monthly royalties.
- Built into the process a plan to sell off this division three years from now. My share of that is based on my royalty percentage and is projected to be worth \$2 million to \$4 million.



## Removing the mystery behind how to effectively license your Intellectual Property

So far, I've given you examples of a variety of different types of Intellectual Property that were turned into new profit centers. And there are many more examples I could share with you, but the real question at this point is:

*What does all of this mean to you?*

What it means is that you can fully capitalize on as many of your own unused ideas, existing products and services, and useful systems and technologies as you'd like. And there are many different ways to do this.

To help you get started, I've compiled 4 Core Principles and a collection of 12 of the easiest, most effective ways to license out your Intellectual Property. Some will be familiar, others will be new to you. But the bottom line is that all 12 methods are easy to understand and apply.

## **4 Core Principles of effectively licensing your Intellectual Property**

### **Core Principle #1 – In order to license your IP, it must have a track record of sales**

Let me save you a lot of wasted time and frustration. The myth of coming up with a brilliant idea, jotting it down on a napkin, and licensing it for millions is just that – a myth.

The number one factor companies that will license your IP look for is how well your IP is selling. If you have no track record of sales, your IP has no value to a licensor. And the higher your sales are, the more you can make with licensing.

### **Core Principle #2 – Don't underestimate the value of your IP**

When I help clients license their IP, one of the most common mistakes I see is that they actually undervalue it. That's because most people don't understand that the same IP can be licensed in many different ways. You can do a direct license, sub-license, license by market type, license by geographical areas, license by media type and many more.

Once you understand this, the value of licensing your IP increases enormously. It's not uncommon to make 2 to 3 times more money licensing your IP than you make in your main business. But the key to this is clearly understanding the full value of your IP.

### **Core Principle #3 – The benefits you get by licensing your IP are much more than just increased profits**

Most people think about licensing their IP as a good way to add secondary income to their business. And while that's true, licensing your IP is actually much more beneficial than just that.

Licensing gives you what I call "RIP" – Reach, Influence and Profit.

When you license your IP, you can extend your REACH into the market enormously. With a big partner or many partners selling your IP, you can reach a much larger market than you ever would on your own.

When you do reach a much larger market, your INFLUENCE also increases. When people start seeing your product or service offered by multiple companies, or by a giant company, it immediately kicks your influence up to a new level.

PROFIT is the most obvious benefit you gain. But here's another important aspect of this.

When other companies sell your IP and take care of all orders, credit card processing, and customer service, the fee plus royalties you make are 100% profit. And that's the kind of profit margin that can't be beat!

#### **Core Principle #4 – The best licensing deals are built on relationships**

Nothing kills more licensing deals than a lack of trust. There's always the temptation when you first start to license your IP to think that you may get cheated. But in reality, that rarely happens.

Each IP license is really a partnership. And each partner on both sides of the deal wants to be treated with respect.

By all means, you should do your diligence upfront to verify that any potential partner is worth doing business with. But once you've done your diligence and decided to move forward with a licensing deal, treat your partner with the same level of respect you'd like in return.

Also, be sure to do whatever you can to support them. After all, your partner's success also increases your success. And the better the deal works for both sides, the longer it will last and the more profitable it will be.

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With these 4 Core Principles in mind, let's turn our attention to 12 ways to license your Intellectual Property.

## **IP Licensing Method #1**

### **Direct License – Exclusive**

A direct license is the most basic form of licensing. You simply license your IP directly to your licensee.

When you do this the way I recommend, your licensee pays you an upfront fee plus a percentage of the sales they make of your Intellectual Property. Alternatively, you can charge a simple annual fee, but I find that it limits how much you can make from your license.

Either way, you must collect some form of payment upfront – which is what I mean by “doing this the way I recommend”. Many first-time licensors are tempted to waive the upfront fee, but that is a major mistake.

An upfront fee signals that your licensee has skin in the game, that they’re committed to making the deal work. Without anything on the line, many licensees will fail to give your IP the attention it deserves, focusing instead on other projects where they do have something on the line.

So the bottom line is this – and this goes for all 12 IP licensing methods – ALWAYS collect an upfront fee from all your licensees. It’s the first step in ensuring a successful licensing deal.

The advantage to issuing an exclusive license is that you only work with one licensee, which reduces your time to monitor and support your licensee. But the drawback is that you need to find a licensee who already has extensive reach into the market or you’ll limit your fees significantly.

A major consideration you’ll want to keep in mind is the length of the license. It can be for any period of time you like, such as one year with an automatic annual renewal. Or it can be for a fixed term.

Another point to include that I highly recommend is setting performance thresholds. For example, you might set your threshold at \$50,000 per quarter, meaning that your licensee must generate enough sales to pay you \$50,000 or more per quarter from your share of the sales.

Along with this, you should include a clause for what happens if your licensee does not meet the performance threshold. Typically, I prefer stating that if the licensee misses the performance threshold for two consecutive quarters, they must immediately cure the situation within 15 days (meaning pay you everything that’s owed), or the license is no longer valid.

In general, I don't recommend granting an exclusive license when you're first starting out licensing your IP. Because when you grant an exclusive license, that means you cannot license that same IP to anyone else. So you're effectively taking your Intellectual Property off the market for all but one licensee.

However, as I mentioned above, if you have the good fortune of licensing your IP to a partner who has extensive reach and the ability to make substantial sales and they want exclusivity, it is well worth it.

## **IP Licensing Method #2**

### **Direct License – Semi-exclusive**

A Semi-exclusive Direct License grants exclusivity for a fixed area. For example, this could be by industry type, by geographical location, or by sales channel, among many other options.

If you have a proprietary process for reducing the operational costs of Human Resource departments by 25%, you might want to grant exclusivity by specific industries. This could result in dozens of licenses in industries like software, medical, women's retail, men's retail, children's retail, pet products, golf products, tennis products – and on and on.

If you have a training program on safety procedures to comply with OSHA standards, you could benefit by licensing it by region. This could be by state, by groups of counties, or by larger or smaller geographical regions.

Many forms of IP benefit from semi-exclusive licenses for a variety of sales channels. For example, if you have a product that sells well in the home goods market, you might want to issue semi-exclusive licenses to just a couple of distributors. Or you might want separate, semi-exclusive licenses for online sales, brick and mortar sales, wholesale sales, and any other sales channels that suit your market.

With all forms of Semi-exclusive Direct Licensing, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

Final point: there is extreme flexibility with Semi-exclusive Direct Licenses. The examples I gave you here are only meant to illustrate each point and you are by no means limited to any of them.

Each example can be applied to practically any form of IP. The only limits are your imagination and the parameters you determine as the most beneficial for your IP.

### **IP Licensing Method #3**

#### **Direct License – Non-exclusive**

A Non-exclusive Direct License is most commonly used for information products, training programs, marketing campaigns and processes, marketing systems, and business processes and systems.

For example, if you have a proprietary method for reducing the costs and increasing effectiveness of Facebook advertising, that's a form of IP that would appeal to every business in practically every market. And since there are well over 30 million small businesses in the U.S. alone, it would take thousands of licensees to reach them all. So there's no practical reason to limit the number of licenses you issue.

Similarly, any type of IP that has a broad interest over a wide range of industries is a good candidate for Non-exclusive Direct Licensing. So this is an important option to consider.

This is a method I've personally used to great advantage. For years, I'd license a collection of my most effective marketing campaigns to business consultants and coaches all over the world.

Each year, I'd license this IP to between 30 and 60 consultants and coaches. And those licenses alone would amount to more than double what I made in my core business.

With all Non-exclusive Direct Licensing, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.



## **IP Licensing Method #4**

### **Sub-licensing – Semi-exclusive**

Sub-licensing means granting the rights to one or more licensees for them to license out your IP.

When you do this on a semi-exclusive basis, you can choose from a wide range of parameters for setting your limits. Some of the parameters you're already familiar with from a previous example include by Industry, Geographical Location or Sales Channels.

From a practical standpoint, I prefer Non-exclusive Sub-Licensing with no limitations over this method. However, if you have IP that's attractive to a large licensee with extensive reach into a specific market or geographical area, you should certainly be open to a Semi-exclusive Sub-License.

The key advantage to sub-licensing is that you can extend your reach enormously. Years ago, I had one training program that was sub-licensed to more than 600 licensees. This resulted in well over 100,000 sales – and each copy of that program had a link back to my web site. So the reach and resulting business you can generate are enormous.

With this licensing method, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

## **IP Licensing Method #5**

### **Sub-Licensing – Non-exclusive**

This is my preferred method for Sub-Licensing. When you sub-license the rights to your IP, your sub-licensees get the rights to license your IP to others with no limitations. Depending on how you structure your deal, you can gain enormous reach and additional sales.

You can also build your email subscriber list very quickly with this form of licensing. By including a link in your IP to some free item, usually an ebook, video or other form of valuable information, people who buy through your sub-licensees are encouraged to join your list. Depending on the number of sub-licensees you have and how actively they promote your IP, this can add a lot of subscribers to your list very quickly.

With a Non-Exclusive Sub-License, your sub-licensees can sell into any market, any geographical region, and use any marketing channels they wish. This method works extremely well with products and courses priced below \$500.

As I mentioned earlier, I sub-licensed one of my training programs to more than 600 licensees. And for a number of my other programs, I've sub-licensed to well over 100 sub-licensees. So you can scale up your sales, your reputation and your list very quickly with this licensing method.

With this licensing method, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

## **IP Licensing Method #6**

### **Master License**

A Master License is a term for a specialized form of Exclusive License. With a Master License, you license the rights to a single party that allows them to license your IP to sub-licensees. Most often, this means that you relinquish the right to license to sub-licensees yourself as it would put you into unfair competition with your Master Licensee.

One of the key differences in a Master License from a sub-license is that the upfront fees and performance levels are much higher. If you're going to assign a license to a single Master Licensee, you're removing your ability to license to anyone else. Which means you're putting all your eggs in one basket.

Accordingly, your Master Licensee will need to pay a much higher upfront fee and guarantee a higher level of commissions paid to you in order to control that one basket. For example, if the upfront fee for a Non-exclusive Sub-license of your IP is \$5,000, the upfront fee for the Master License should be at least 10 times that amount.

Selling a Master License is a serious decision that usually requires a considerable amount of experience with licensing. So it isn't a decision to be made lightly. But with the right partner as your Master Licensee, you can sell a lot of your product with very little time or effort on your part, so it's always something to consider.

With a Master License, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

## **IP Licensing Method #7**

### **Joint Ventures**

Joint Ventures are one of the most common and easiest ways to begin licensing your IP. The benefits to this licensing method is that it is extremely flexible and easy to implement.

For example, a Joint Venture can be a one-time arrangement, lasting only a few weeks or so. Or it can be extended to longer periods. The choice is yours.

The advantage to a shorter one-time deal is that you perform a controlled test of your licensee's ability to perform at a satisfactory level. If they perform well, you can easily convert the deal to a longer term exclusive or non-exclusive license. If the licensee does not perform well, then you've spared yourself a lot of problems and frustration with a short, controlled test.

Another significant difference with joint ventures is that there is no upfront fee required. Instead, each side of the deal gets an agreed upon share of each sale.

For smaller JV partners whose sales numbers will be lower, typical splits of the profit range from 20% to as much as 50% for your licensee. For larger JV partners with the ability to make a sizable number of sales, their share ranges from 30% to as much as 60%, depending on how attractive you want to make the terms in order to secure the deal.

Joint Ventures are commonly used in every industry you can think of – and by companies of all sizes. Because of the simple, straight forward nature of JVs, they are an exceptional way to get started with licensing. And they're an excellent way to ramp up your sales regardless of how experienced you are with licensing.

## **IP Licensing Method #8**

### **Repeating Circuit Joint Ventures**

This method of licensing is a more elaborate version of a standard Joint Venture. The advantage to this more complex version is that it significantly builds your email list and significantly increases your sales at the same time. The drawback is that there are more moving parts, so it requires quality partners and a higher degree of coordination.

Here's how Repeating Circuit Joint Ventures work. The first step is to identify five other companies that sell products or services your customers are highly likely to want. And you are the sixth member of this Repeating Circuit.

Then you set up JV licenses with each of those partners for everyone to promote each other's product on a repeating basis. Each month, one member's product is promoted to everyone else's list. The sequence continues for 6 months and then the circuit starts over in the same order.

By doing this, your product is promoted to five other companies' lists twice every year. This adds a lot of new subscribers to your list as well as making more sales of your product.

Plus, 10 times per year, you're promoting the other members' products to your list. And each time you do this, you collect commissions for every sale that's made.

This method, although a bit more complicated than a simple JV, works extremely well. So well, that by using it, one of my clients added an additional \$1.3 million in sales to his business and increased the size of his list many times over.

## **IP Licensing Method #9**

### **Private Labeling**

Private Labeling is a method of licensing the use of your product or service to licensees where they repackage it under their company name and branding.

This can be done with any product or service. A great example is vitamins and other similar supplements. Except for large name brands, the majority of vitamins and supplements you see being sold in stores and online are private labeled.

For example, CVS has its own line of vitamins and supplements. But they don't manufacture any of them. Instead, they have them manufactured by a large company that Private Labels to hundreds of companies.

The same goes for grocery stores and health food stores that sell their own lines of vitamins and supplements. Those lines are actually manufactured by a large company that specializes in Private Labeling.

I've personally Private Labeled a number of my training programs for other companies with excellent results. It's an ideal way to increase your reach and sales into markets you wouldn't normally serve.

One of my clients manufactures CBD infused dog treats that are sold in stores and online. They also create the exact same dog treats for other companies, which are bagged and labeled with the other companies' branding.

By Private Labeling dog treats for a number of pet product companies, my client's company brings in \$60,000 per month in revenue from this source that's secondary to their main business. Not too shabby for baking dog biscuits!

With a Private Labeling, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

## **IP Licensing Method #10**

### **Certification**

Certification is a specialized form of licensing the rights to use your courses, training programs, business processes, marketing campaigns and systems and other forms of IP. For a recurring annual fee, and optionally, a share of sales, you train and certify individuals in the use of your IP.

With Certification, there are two ways that licensees can use your IP. In the first way, people who are certified can then sell their services in assisting people in using your IP. This is typically done with software.

For example, many vendors of Wordpress themes certify people to assist clients in using a theme (or themes) to build websites. Certified theme consultants are listed on the vendor's website, so customers can easily find them.

In the second way of using your IP, people who are trained and certified can sell your IP as well as selling their services to assist people in using your IP. This is obviously a much broader use and has strong appeal to a large audience, especially to consultants and coaches in your market.

I've personally used this second method very effectively, certifying 30 to 40 consultants with annually renewable licenses priced in the low 5-figures. And one of my associates has a network of 130 consultants certified to use his business development process, all paying an annually renewable licensing fee in the low 5-figures.

Certification is an exceptional method of extending your reach deep into your own market as well as markets that you don't normally serve. And the annually renewable licensing fees provide substantial financial stability for your business.

Certification is always done on a Non-exclusive Direct License basis. The same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.



## **IP Licensing Method #11**

### **Niche Market Specialization**

Niche Market Specialization is a fast way to turn any product you have into dozens of products, multiplying the amount of IP you have available to license. Each product is a variation of your core product, customized for a specific market.

For example, if you offer a diet tracking app, you could create specialized versions for all kinds of markets. You could have Diet Tracking for Weight Loss... Diet Tracking for Seniors... Diet Tracking for Athletes... Diet Tracking Vegans... Diet Tracking for the Mediterranean Diet... Diet Tracking for Gaining Weight... and on and on.

With each of those specialized products, there are hundreds, if not thousands, of potential licensees. And because each version of your IP provides specialized advice to their exact prospects and customers, it's often the easiest way to quickly gain dozens of licensees in many different markets.

It can also be used with nearly any type of service as well. Applying Niche Market Specialization to a product or service simply means creating more tightly defined versions targeted to specific industries or customer niches, as you saw in the example above.

The concept is simple, but its application is extremely broad. In fact, the possibilities are nearly endless, limited only by your imagination.

I've had clients generate millions of dollars in sales they wouldn't have seen without this strategy. And the best part is that applying Niche Market Specialization to any product or service is quick, easy, and highly profitable.

Once you've created your product or service specialized for one or more niches, you can use any of the other licensing strategies covered here to license them out.

## **IP Licensing Method #12**

### **Foreign Rights**

Licensing out Foreign Rights to your IP can be quite lucrative, but it's also trickier than the other licensing methods presented here. That's because you often have to overcome language barriers, time zone differences, greater distances, and cultural differences – all of which create barriers to efficient communication.

If your product is a course or training program that needs to be translated, it will be time-consuming and possibly difficult to make sure the translation is true to the ideas you're presenting. If your training program includes exercises the customer or participants must do, you can run into cultural barriers as to what's acceptable and what isn't.

That said, licensing out Foreign Rights to your IP can be very lucrative and it often gives you access to immense markets that otherwise wouldn't be available to you. So it's well worth considering.

However, because of the additional degree of difficulty, I recommend that you start with one or more of the other licensing methods before attempting to license Foreign Rights to your IP. That experience will give you a much greater comfort level when you first begin to license Foreign Rights.

Foreign Rights licenses can use most all of the methods I've covered here so far. However, because there won't be a lot of companies competing for these rights, in this case, there's very little downside to granting an exclusive license in each country or for each language.

With Foreign Rights, the same financial parameters apply that I gave you in the section on IP Licensing Method #1. So be sure to review those when you consider this licensing method.

## Wrap Up

I hope you've enjoyed this crash course and have begun to compile a strong list of things you can do to quickly add one or more 6-figure profit centers to your business with licensing.

But more importantly, I hope I achieved my main goal, which is to expand the way you think about the opportunities available in your business.

In my experience, the vast majority of businesses are sitting on stockpiles of dormant profits. The only thing holding them back from tapping into these profits is the ability to think about their business in a more expansive way that leverages the power of licensing. And a little bit of practical knowledge for implementing that thinking.

You now have a uniquely expansive way to think about your business, your assets, and implementing the 12 licensing methods I've presented here. So my closing advice is simple:

*Dig in and start implementing!*

All it takes is picking one or two of these licensing methods that are the best fit for your business and the easiest to implement quickly. When you do, you have no risk whatsoever, because each method can be implemented with no cost at all.

In return, for just a small amount of effort, you could easily create a new, 6-figure profit center just like the businesses I cited in these examples did. Or multiple new, 6-figure profit centers.

So jump in and give it a try. I promise you'll be thrilled with your results!

## About Bob Serling



Bob Serling is a 30-year marketing and licensing veteran and the founder of LicensingLab. His innovative take on marketing and licensing has helped thousands of businesses and entrepreneurs produce exceptional results.

Bob has been the monthly marketing columnist for Success Magazine... invented a skateboard toy featuring Tony Hawk's branding that was sold in toy stores and department stores all over the world... co-created and licensed advanced assessment software currently being used by many Fortune 500 companies... created a one-and-a-half page prospecting letter for a client that landed an agreement for a \$25 million project by being sent to just one prospect – then licensed that same letter to 14 different industries... and much more.

He's perhaps best known for having pioneered the use of licensing to turn the assets you already have into 6-figure profit centers. Because you're leveraging assets you already have but aren't fully capitalizing on, his strategies let you quickly create new, 6-figure profit centers with no additional cost or risk. Bob's clients find that using licensing this way not only increases their profits, but balances cash flow so there's a steady, reliable stream of income every month.

Bob offers a free **IP Licensing Review** to companies that have annual revenue of \$1 million or more. To request a complimentary review of your assets that will let you know for certain if Bob's licensing strategies can quickly add a 6-figure profit center to your business, just send an email to:

[review@LicensingLab.com](mailto:review@LicensingLab.com)