



Royalty Rate
Industry
Summary
Reports
Overview

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Licensing Royalty Rates

The Royalty Rate Industry Summary is an annual analysis of royalty rates from the RoyaltySource® database. It provides benchmarks for licensing rates covering 15 industries from over 30 years of data. Average and median royalty rates (based on a percent of sales) by industry.

In summary, royalty rate comparisons by vintage year are difficult given the differences in the technology licensed, the activity in the industry, and the fact that almost every clause in the license agreement has some economic weight that impacts the royalty rate negotiated. Therefore, we have chosen to supply a broader measure of change that averages many different licenses over many years and make the comparison.

Other Industry Reports

We're also have available Expert Reviews are Transactions – Licensing and purchase/sale of IP transactions. This resource summarizes actual license contract data to give the greatest insight possible.

We have developed a series of “Industry Reports” that supply a more in-depth analysis of the technology transactions comprising the 15 industries. For example, a report on the “Automotive Industry” is available and the benchmark data includes sub-groups of power-train, efficiency/emission control, electrical/electronic and safety. The series also includes a unique “Food & Beverage Brand” report looking at royalty rates from in- and out-licensing under three different marketing arrangements — core product, co-brand or brand extension. It also looks at character and celebrity licenses.

The benchmark measures include average, median, maximum, minimum and the interquartile range for a total of 10,798 agreements included in the 2023 Summary. It is important to understand that in each year, the number of agreements used to prepare the graph is equal to the total number added to the RoyaltySource database up to that year.

It is evident that industry average royalty rates do not change much year-to-year, but there are significant differences between industries, indicating that a composite benchmark supplies good insight.

Why Look at Industry Composites

Touching on elements that influence the use of industry composite data is helpful in bringing greater transparency to selecting a royalty rate before or after completing a transaction or finalizing an opinion. Our list is not intended to be all-inclusive, but it is intended to jump-start the due diligence process needed to develop or test a conclusion.

Composite data offers:

A view of the overall market and industry sector trends over time.

Observations averaged together form a general statistic representative of the economic impact of license clauses and royalty payment structures. For example, the scope of a license includes clauses such as:

- License Grant
- Exclusivity
- Territorial Restrictions

- Monitoring and Quality Control
- Duration, Renewals, Termination
- Ownership Rights to New Developed Technology

These license clauses influence royalty payments, yet their impact may be unknown or difficult to measure. The mix of royalty payment structures also influences the magnitude of a royalty payment. The royalty payment can be split between various payment methods such as:

1. Upfront fees, milestone payments, stock issuances
2. Royalty — lump sum, running royalty, defined amounts, minimums, etc.
3. Required purchases of supporting services or materials
4. Sharing of costs, etc.

While an analysis of industry royalty rates by vintage year would be a more appealing comparison to observe industry trends, the results would be difficult to interpret. Besides relying on just a few yearly observations that would have no statistical significance by any acceptable standard, the difficulty is a direct result of the various factors that influence royalty rates, such as the type of technology being licensed, the licensing activity in the industry, the scope of the license and the financial aspects surrounding the royalty payment.

