Royalties and License Fees

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Coverage and definitions

The royalties and license fees accounts cover transactions with foreign residents in rights to various types of intellectual property not included elsewhere in the accounts.

Estimation methods overview

Data are reported on BEA's quarterly and benchmark surveys of services.

1 **U.S. Royalties and License Fees Receipts** (line 9)

2 **U.S. Royalties and License Fees Payments** (line 26)

1.1 The royalties and license fees accounts (lines 9 and 26) cover transactions in rights to various types of intellectual property not included elsewhere in the accounts (see table 7). Transactions in rights broadly cover charges for the use of proprietary rights, charges to distribute and reproduce, and sales and purchases of ownership rights.

1.2 Charges for the use of intellectual property include (a) charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets, and franchises). Transactions in these rights may arise from research and development as well as marketing.

1.3 Also included are (b) charges for licenses to distribute and reproduce (or both) intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcasts).

1.4 (c) If there are outright sales or purchases of ownership rights to intellectual property, the sales and purchases should be entered in the appropriate subcomponent of business, professional, and technical services (lines 10 and 27). Sales and purchases of the outcomes of research and development should be entered in the research and development component of business, professional, and technical services. Exceptions are sales and purchases of franchises or trademarks, which should be entered in the capital account (line 39).

1.5 At the present time, source data are not available that distinguish between charges for the use of proprietary rights, charges to distribute and reproduce, and sales and purchases of ownership rights. Therefore, the three types of transactions are presented as a single category in the royalties and fees account, where they are presumed to reflect mainly rights to reproduce and distribute intellectual property.

1.6 Receipts and payments for use, for reproduction and distribution, and for sales and purchases currently include those related to industrial processes and products; general use computer software; trademarks; franchise fees; books, compact discs, audio tapes; broadcasting and recording of live performances and events; and other intangibles. Also

included, as of June 2011, beginning with estimates for 1999, are film and tape rentals, which are reclassified within services to royalties and license fees receipts and renamed distribution rights for film and television recordings; previously, they were included in other private services (lines 10 and 27).

1.7 Reported values include U.S. withholding taxes or foreign withholding taxes. An entry in the current unilateral transfers account records, as an offset, the amount of taxes withheld by the U.S. or foreign government.

1.8 Quarterly and benchmark survey data are collected by type of affiliation as well as by type of service. For exports, sales are the sum of unaffiliated receipts and affiliated receipts (by U.S. parents from their foreign affiliates[1] and by U.S. affiliates from their foreign parent groups[2]). For imports, purchases are the sum of unaffiliated payments and affiliated payments (by U.S. parents to their foreign affiliates and by U.S. affiliates to their foreign parent groups). The estimates are based primarily on the books of the U.S. parent or the books of the U.S. affiliate of a foreign parent or U.S. member of a foreign parent group. These data are reported on BEA's surveys of services transactions.

1. The term "affiliated" refers to a direct investment relationship, which exists when a U.S. person has ownership or control, directly or indirectly, of 10 percent or more of a foreign business enterprise's voting securities or equivalent, or when a foreign person has a similar interest in a U.S. business enterprise.

2. The term "foreign parent group" is defined as (1) the foreign parent, (2) any foreign person, proceeding up the foreign parent's ownership chain, that owns more than 50 parent of the foreign person below it, up to and including the ultimate beneficial owner, and (3) any foreign person, proceeding down the ownership chain(s) of each of these members, that is owned more than 50 percent by the person above it.

Table 7. U.S. Royalties and License Fees Receipts and Payments, 2009 (Line 9 and Line 26)

[Millions of dollars]

	Receipts	Payments
Total	**89,791**	**25,230**
By affiliation:		
Unaffiliated	30,974	6,880
Affiliated	58,817	18,350
By U.S. parents from their foreign affiliates	55,430	.....
By U.S. affiliates from their foreign parent groups	3,387	.....
By U.S. parents to their foreign affiliates	.....	4,507
By U.S. affiliates to their foreign parent groups	.....	13,843
By type of intangible asset:		
Industrial processes	35,630	16,464
General use computer software	36,030	5,004
Trademarks	11,638	2,400
Franchise fees	4,316	195
Broadcasting and recording of live events	588	234
Books, records, and tapes	1,479	798
Other intangibles	110	135