
Intellectual Property Law

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Converting Your Inventions To Dollars And Cents

How often have you felt you had a great invention that was just what the world was waiting for. Unfortunately, many would-be entrepreneurs are under the illusion that that is all they need for someone to beat a path to their doorstep, big check in hand. If only it were that easy!

Turning your invention into dollars and cents requires an understanding of the process, as well as perseverance and patience in dealing with the many challenges that stand between you and potential financial reward.

The average entrepreneur usually does not think about what is really necessary to make their invention a commercial success. As a result, their great ideas often fizzle before they ever have a chance to get to the marketplace. Some common mistakes that typically doom an invention to failure are the following:

- 1. Trying to make and market the invention yourself.**
Unless you are very familiar with commercial manufacturing and distribution operations, this will often be over the head of the average inventor. Also, the investment required for "do it yourself" businesses of this type can be daunting and difficult to obtain.
- 2. Use an invention marketing outfit.**
While there are undoubtedly some reputable ones, most invention marketing outfits are "scam and sham" operations. They frequently ask for many thousand dollars up front to conduct a "marketing evaluation" on your invention that often proves deceptive and worthless.
- 3. Submit your invention to a large company.**
Most large companies refer to these submissions as "unsolicited ideas" and as the name suggests, they usually view them as unwelcome intrusions. The inherent bureaucracy of the large company and the fact that they usually have their own R&D department greatly decrease the chance of them being interested in your invention.

So how should you go about converting your invention to dollars and cents? The most likely route to success is to get a smaller company interested in your invention and to license your rights in it to them. In doing so, you need

to consider the following if you are to profit from your invention:

1. **Evaluate the marketability of your invention accurately.**
This is an important initial step and too often overlooked by the average inventor. You need to do some basic market research on your invention, including what others have previously done that is similar. What others have previously done is commonly referred to as "prior art" and will determine whether you have a big idea, a modest idea or no idea. If it turns out to be the latter, you may be better off looking for a different invention to exploit.
2. **Protect your invention appropriately.**
Most companies, including small ones, may not want to talk to you about your invention unless you have some form of "exclusivity" in it. This usually means getting a patent (or patents) that provides defensible and adequate coverage on your invention, including alternative uses for it. Just being able to say that you have applied for the patent may make the difference between getting your foot in the door and having it slammed in your face. You should also not forget about copyright, trademark and trade secret rights that might be available to protect your invention.
3. **Find the "right" small company.**
What you are looking for here is a company (preferably under 100 employees) whose line of business is a potential fit for your invention. Again, you will have to do some research to find the "right" company (and probably several "right" companies) that might be interested in your invention. In this regard, the local chamber of commerce often provides information on companies, including their size, annual sales, key employees and types of business they are engaged in, that can be extremely useful. Some chambers even post this information on their Web sites so that you can search for it over the Internet.
4. **License your invention for a running royalty.**
Some companies will want to license your invention for one upfront, "lump sum" payment. However, unless this upfront payment is fairly generous, you should favor a running royalty that is paid over time. This royalty will be based on a percentage (called the "royalty rate") that is tied to the dollar (or number) of sales of the product that uses your invention. This will allow you to reap the appropriate financial reward if your invention does become a commercial success.
Determination of the royalty rate can vary from business to business, and will frequently depend on the profit margin for that business. Usually, the higher the profit margin, the higher the royalty rate you can ask for.
5. **See if you can license your invention to more than one business.**
Some companies will want you to agree to an "exclusive" license with them. This means you will be unable to license your invention to others. While an exclusive license may be fine if you get the right kind

of royalty, you will frequently be better off granting only a nonexclusive license. This is especially true if there are multiple uses for your invention (or more than one line of business that can use your invention), provided you have protected these other uses (see 2 above). Indeed, an exclusive license might make more sense if you can restrict it to one use or line of business (commonly called a "field of use" license), reserving to yourself the ability to license the invention in other fields.

6. Provide "know-how" on your invention.

Many companies are looking not only for rights in your invention, but also for some help on how to develop, make or market it. You can greatly increase the value of your invention by being able to provide such "know-how." Indeed, you may be able to get additional revenue by arranging to consult with the company to whom you have licensed your invention to help them exploit it.

The great inventor Thomas Edison once said that invention was 10% inspiration and 90% perspiration. Even after following the above advice, you will perspire a lot trying to get others interested in your invention so that you can profit from it. However, the reward can be great if you do your homework, and are patient and knowledgeable in pursuing the "right" license with the "right" company. You may even find you enjoy the process of converting your invention to dollars and cents.

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