Inventors Council of Mid-Michigan

The Inventors Council is an independent, non-profit 501 C-3 corporation formed to help inventors pursue their dreams of bringing new and innovative products to market. Our goal is to help fellow inventors succeed in the most efficient and least costly manner possible by providing education and business networking.

Founded by Robert (Bob) Ross in 1995

PO Box 232, Lennon Michigan 48449

Web Site: INVENTORSCOUNCIL.ORG

We meet monthly at Walli's Restaurant, 1341 South Center Road Burton, Michigan. Just Two blocks south of I-69, Exit 139

VOLUME EIGHTTEEN **NEXT MEETING THURSDAY February 13, 2014 7:00PM** NUMBER TWO

Thursday February 13, 2014 Meeting

The meeting will begin at 7:00pm at Walli's as usual. This will be our first actual meeting due to the poor weather in January 2014.

We will be having our election for 2014 at the start of the meeting to elect 3 new directors for 2014.

We also have a guest speaker Dr, Sandra Krug from Baker College about new services and facilities for 2014.

Let's have a great time.

ICMM Dues for 2014

We will discount the yearly 2014 membership fee of $55.00 to only $50.00 for all members that pay during or before the February ICMM Regular 2014 meeting

2014 ICMM Directors Elections be held on February 13, 2014 at our regular membership meeting.

Remember that we need members to join the Board of Directors and help determine the direction of the Club. More to follow.

Each ICMM Member is eligible to nominate to have their name placed on the on the 2014 ballot in

ICMM
Home of the Happy Inventors

Provisional Application

A provisional application is something you write up yourself. Its only statutory requirement is that it disclose your invention in sufficient detail that anyone skilled in the applicable art can *make* and *use* the invention. You may attach any sketches, drawings, photos, etc. that may be helpful in describing how the invention can be made and used. There are no format requirements on either the text or drawings, although the sheets should be (or be foldable to) 8.5x11.

The provisional application can be filed with the Patent Office for $75 and will buy you *one year* of protection. Within that year you must either file a *formal* patent application (average cost about $5,000) or abandon the idea.

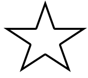
Prospect List

Before filing the provisional, you should compile a *complete* list of potential licensees. By *complete*, I mean a sufficient list that after you've contacted them all, if you've found no interest, you'll be satisfied that your product *isn't* licensable -- and your only alternatives are Venturing or going on to your next idea.

Your prime candidates are companies who are already *selling* into your target market. If your invention is in your trade, you already know many of these companies. Pull the rest out of your trade journals and trade directories. If it's outside your trade, try to find someone in the trade (preferably a buyer) who'll loan you, or at least let you look at, their trade journals and directories.

If it's a consumer product that would sell through stores, go to stores that would be likely to carry your product, determine where in the store your product would likely be located, and collect all the brand names and company names you can find in that vicinity. Then find yourself a good *reference librarian*. A reference librarian is one who knows all the directories and databases and how to use them.

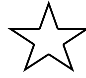
A good reference librarian takes great pride in being able to show you how to find answers to any questions you might pose. They'll show you how to associate company names with brand names, how to get address, phone number (and other useful data such as annual sales) for company names and, to the extent you can accurately define your target market, show you how to find other companies selling into that market.



MARKETING

Hints from the Fog

by Mike Ball, President



Secondary candidates for your prospect list are companies already making similar products - but not currently selling into your target market. These are "possibles but unlikelys". It's much more difficult, costly - and risky - for a company to tackle a new market than it is to produce a new product for a market they're already servicing. If they don't have the in-house capabilities to manufacture the product, they'll simply have it contract manufactured.
Postscript (5/97): Don't overlook existing patent records as a source for compiling your prospect list -- especially now that on-line patent searching is becoming quick and easy. Any company maintaining patents in a class/subclass related to your invention is certainly a prospect -- see Patent Searching

Licensable-Quality Patent

Now you're ready to file your provisional application -- almost. One of the downsides of the Licensing path is that the odds are long. Rules of thumb in the field are that less than 1 in 100 patents ever license and less than 1 in 500 ever make back more money than they cost the inventor. A major reason for these long odds is that most inexperienced inventors don't take the time to determine whether they can get a *licensable-quality* patent.
Recognize that the only *legal* part of a patent is the *claims* section at the very end. All the rest of the patent -- the drawings, specification, etc. -- are only there to help someone interpret the claims. The claims section is a metes-and-bounds description of your intellectual property in the same sense that a deed can be a metes-and-bounds description of real property -- it surrounds it. When you hire a patent attorney to draft a formal patent application, what you're really hiring him to do is to surround as much intellectual property for you as he can without overlapping someone else's intellectual property.
Recognize also that the first thing any potential licensee who's interested in your product is going to do is to see if they can design around your patent. And they're not doing that because they're bad guys. They're doing it because, if they do enter into a license agreement with you, and the product sells well, all their competitors will simply design around the patent, and they'll be stuck paying you a royalty and their competitors won't -- a situation they wish to avoid.
So, before you file your provisional, you really ought to determine whether you have anything to license. From what I've been seeing, if you'll take this step, 95% of the time you'll decide not to go ahead. You'll find that you simply can't get the protection that you need to have any chance of licensing (and for those few inventions that do pass this screen, you'll find that your odds of licensing greatly improve -- to as much as maybe 1 in 5).
What you *should* do with that provisional application is, instead, take it to a patent attorney. Have the patent attorney do a patent search. The search will yield copies of all patents that surround your invention. Once the patent attorney has studied the claims in those patents, he'll have a pretty good idea of what he can claim for you.
At that point, you *must* do two things. First, make the attorney explain to you in language you can understand what it is he thinks he can claim for you. Second, how claims can be designed around.

Invention Review Panel

For objective evaluation and priceless feedback, share your invention ideas with an educated group of inventors, business owners, engineers and authors!
Our Panel will sign a non-disclosure agreement to guarantee your ideas are kept secret while we provide you with the input needed to make decisions, no matter what stage of the invention process you're at!
There's a $25.00 Donation for a Review. The Panel meets at 6:15pm before each meeting. Call Panel Chairman Marty Sovis at 810-659-6741 for an appointment.

Review Panel Members
Marty Sovis Rick Mason
Jim White

Bob Ross 1919 - 2004
Inventors Education Column

Inventors Resources

Michigan Inventors Clubs

Inventors Council of Mid-Michigan
Inventorscouncil.org

Muskegon Inventors Network
Muskegoninventorsnetwork.org

Grand Rapids Inventors Network
GRinventorsnetwork.org

Jackson Inventors Network
Jacksoninventors.org

MidMichigan Innovation Center
ww.mmic.us

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Corporation

Then, take the time to try to design around yourself. If you find that the proposed claims are "impossible" to design around -- i.e., *they protect the only economical ways of providing your intended user benefits* -- then go for it. Otherwise, forget the patent -- and forget Licensing.
If you decide to go ahead, have your patent attorney review your provisional. One of the restrictions of a provisional application is that you cannot "claim" anything in a later formal patent application that you have not disclosed in your provisional. Your patent attorney will show you where to "broaden" the language in your provisional, if necessary, in order to adequately cover what it is that he thinks he can claim.
The patent attorney's services, for the search and the two explanations, will add $500-800 to your front-end costs -- but will save you time and phone bills for the 95 of 100 that aren't worth pursuing. Your choice.

Licensing

Now -- finally -- you can file your provisional application. You'll need two forms: a *Provisional Application For Patent Cover Sheet* and a *Small Entity Statement*. The former is simply a cover sheet for your application; the latter gets you the half-rate fee. (The provisional filing fee is $150 if the Small Entity Statement is not enclosed.) If you're dealing with a patent attorney, the attorney will give you these forms; otherwise call the PTO's information number, 800-786-9199, and find out how to get them.

As soon as you get confirmation back from the Patent Office that they've accepted your provisional, your next step is to get on the phone. Call into each company on your list. Try to get through to the person responsible for "dealing with outside inventors".

Every company, at least those with competent legal counsel, have someone designated to deal with outside inventors. There's sufficient exposure to "you-stole-my-idea" lawsuits downstream, that most companies will try to limit such contacts to one person. If you contact and start dealing with the wrong person -- even inadvertently -- when the right person hears about it, the whole deal is likely to blow up (and the person who dealt with you is apt to get fired).
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If you hit a dead-end in trying to get through to the right person, try Legal (if they have a Legal Dept.). If not, try Purchasing; someone in Purchasing is certain to know who the right person is. (And if that doesn't work, ask who's their outside patent counsel... or, finally, their legal counsel).

When you get through to the right person, tell them you'd like to submit a new idea to the company; do they take them? Some companies don't. If they do, how do you go about it? Most companies will have a "disclosure" form that you'll need to sign. This form is basically a "waiver of confidentiality". It basically says that in any disclosures you make to the company you are relying solely on your patent protection.

Since you have "patent pending" -- that's what your provisional application gives you -- you can freely sign their form. So you have them send you a copy. When you get it, you sign it and send it back in with a good one-page description of your invention -- *to the attention of the person you talked with*. Never send an invention in "blind". Apart from the disclosure-form problem, it's sheer chance whether it will ever get to the right person.

That one-page description is important. It wants to be business-like, professional, no hype, no hard-sell. It wants to clearly describe your invention and its perceived advantages in the first couple of paragraphs, followed by maybe a paragraph explaining why the company may be interested in licensing it.

The person you're sending this to will be making his decision in the first 20-30 seconds of reading your letter whether this is something the company might be interested in. Make sure you get your best message across in that time frame. It's ok to attach an illustration or photo if it's applicable, but don't send prototypes, supporting data, etc. If they're interested, they'll ask for it.

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Within a couple of weeks, call that person back. Verify that they received your material. See if there's any preliminary interest. If there isn't, try to get a feel for why; there might be something you can do about it. If there is, find out when you should call back next.
Go through your whole prospect list this way -- just as fast as you can. Don't stop just because someone expresses preliminary interest. It's not at all unusual for initial interest to peter out once they've had more time to look at it. And, besides, you'd like to have multiple companies interested to give you some negotiating leverage.

Strategically, you'd like to get through your prospect list within a couple of months. If a company's interested, it can take them up to 6 months to decide whether they're *really* interested. Your contact is typically only the initial screen. If he thinks your invention might be of interest to the company, he'll forward it to the appropriate division or department for review. If it gets through their review, it's then likely to go through an engineering review, a manufacturing review, a marketing review, maybe a sales review, a new product committee, etc., etc.

But if you did your pass in 2 months, and they take 6 months to come down to a licensing agreement, you're still only 8 months into the 12 months of your provisional -- *plenty of time to negotiate the costs of your formal patent into the licensing agreement!* If you get on the ball and don't procrastinate, it's likely you'll never have to face that $5,000 formal patent cost.

If you go through your whole list and no one's interested -- i.e., if you did a *complete* list (see earlier) -- the invention's just not going to license and your only alternatives are to try Venturing it or go on to the next invention.

However, if you did your phone work diligently -- including closure back with those you sent materials to -- it's likely you'll have a pretty good understanding of *why* the invention didn't license. Companies are quite reluctant to explain why they turned down an invention, but just a phrase here and sentence there from a large number of rejectors can give you a pretty good idea of what the problem was -- which knowledge you can then use to avoid that problem with your next invention.

Licensing Agreement

If some company does come down to a licensing agreement, how do you negotiate the agreement? For the inexperienced, the simple answer is you don't. You take what you can get -- and count your blessings.

Take it or leave it. You might be able to negotiate some fine points, but if you get too demanding, it's likely they'll just walk away.

In fact they're likely to have tested you very early on -- by asking what you're looking for. Find out from your patent attorney (or the library) what the going royalty rate is in that industry. In the absence of better information, figure about 5%. When they ask that question, respond with something like "a 6% royalty and acceptable minimums".

Their real reason for asking that question is to judge whether you're going to be "reasonable", i.e., business-like, to deal with. If your response indicates you're not, it's likely they'll just walk away at that point -- and not even try to determine if the product itself is of "real" interest. A product they can't "reasonably" license is of no more interest to them than a product they can't sell.

They're expecting an *exclusive* agreement, i.e., that you'll be assigning your patent rights exclusively to them. Under an exclusive, you *must* have minimums (or a reasonable alternative). Otherwise, they can just `sit on' the product, doing nothing with it -- and your royalty revenue will be an acceptable percentage of nothing.

During their review of your invention, long before negotiations, it's likely you'll be talking with others in the company. With each, try to get a `feel' for their expectations of sales as a function of time. (You're not likely to get this kind of information from your initial contact -- he's the one you're going to be negotiating with and he knows why you want it.) Then when the subject of minimums comes up, use some reasonable percentage of those numbers in negotiating the minimums.

If you have detailed knowledge of the industry, use it. But use it softly: "I've heard that..." "I believe that..." Even if you have as much knowledge of the industry as the guy your dealing with. In any negotiation, if a deal can't be made, *you* want to be the one who walks away -- you *never* want to cause the other party to walk away.

When you get an offer from a company -- in the form of a licensing agreement -- you have to decide whether to take it or leave it. Look objectively at your alternatives. If they don't look that good, in general, take it. Even if it's much less than you'd hoped. Something is generally better than nothing.

However, before you sign the agreement, take it back to your patent attorney. The agreement deals with intellectual property law and that body of law is insanely complex. The attorney will call to your attention any `hookers' you may not be aware of and, if minor, will typically negotiate their resolution with the company's patent attorney, and thereafter give you the go-ahead to sign.

Conclusion

The provisional application offers a new and low-cost strategy for trying out new ideas on prospective licensees. However, be sure you clearly understand the two cautions below:

Caution: This strategy assumes that you will be writing the provisional application yourself. If you require a patent attorney to write it for you, it will cost almost as much as a formal application. A patent attorney will write it in the format with which he is most familiar -- namely as a formal application, less only the claims section. Given that, any cost-effectiveness benefit is lost and we would recommend that you forget the provisional and just go with a formal (i.e., non-provisional) application.

Caution: This strategy assumes that you will not procrastinate, i.e., that you will poll *all* potential licensees within at least a 4-5 month period. If you have any thoughts of extending your time-to-license with a 2nd provisional, forget them. If you let your 1st provisional lapse without filing a formal application, any contacts you made with potential licensees under that 1st provisional will constitute a "public disclosure", voiding immediately the availability of any foreign patent rights and voiding after one year (of your first such disclosure) the availability of any U.S. patent rights -- and a 2nd provisional will not prevent this.