Become A Professional Inventor, The Insider’s Guide to Companies Looking For Ideas.

Author: Stephen Key

Book report by Teresa Heupel

The following are mostly quotes. If there is no author attached, it came from Stephen Key. Otherwise, all others are duly noted.

“Protection is easy, Selling is hard.” I say – resoundingly so, “Amen!”

When you don’t listen to naysayers, you are an inventor.

Persistence is key. No’s are really alright. Either the inventor or the client doesn’t know enough yet. When rejection shows up, rejoice! You have just started your journey.

No inventor does everything – partners, attorneys, marketers, sales people – huge number of people to make the inventor a success.

Inventors believe it’s about access while it is truly about being more professional.

Everything is about relationships – you do the networking, do the research for your invention, and find some company that is comparable to what you do to bring out a licensing agreement.

If inventor is willing to listen and willing to alter their invention to make it marketable, it’ll be that much more successful and being produced.

“Make sure that you convey your idea to the point that anyone can understand it! It’s not about how fancy your sell sheet looks – it’s about how clearly you convey the idea. That’s the biggest thing.” Atul H. Patel, p. xxiv.

“Outside the box” ideas are what companies are looking for.

The new business model is: Create perceived ownership of your ideas and license them to companies that are already in business.

“Not all companies want to work with inventors because we are unreasonable, unrealistic and a real pain-in-the-butt. Most inventors are “creative types” who don’t know how to act like professional product developers.” p. 19.

“If an inventor wastes a potential licensee’s time, the company can become frustrated and close its doors. That is not good for any of us.” p. 19

Sell the benefits first before anything else. Make sure it’s marketable.

You are not “the most important person or thing” for a potential licensing firm. They have a process and you may have to wait. (For me, personally, I have zilch amount of patience. I don’t pray for it, either!)

Sales and marketing people are tasked with growing the company. If, in their opinion, your product has any chance of helping increase business, they are likely to be positive about it.” p. 31

“Not all companies are inventor-friendly. p. 35

Stay with companies that are doing things very similar to what you are doing. Don’t think they want a new product line – you will get very discouraged really fast and quit.

“Patents are nice but not essential.” p. 57 Nick Mowbray, Co-CEO Zuru Toys, one of the fastest growing toy companies in the world. Bunch O Balloons, one of their hits, sells about 30 million units a year.

“Do something that stands out. Do something that others aren’t – so when you send your marketing material to a company it’s going to get their attention.” p. 63 Scott Baumann, Professional inventor and CEO of Procreate Brands, LLC., which has more than 40 worldwide licensed products in its portfolio.

“If you cannot grab someone’s attention in a minute or a minute and a half you will probably lose that sale.” p.77 John Cremeans, Pioneer in the home shopping industry who has pitched over 100,000 products with $2 billion in sales and 35,000 live television hours.

“Pitching is actually an art. When presenting one-on-one to a customer, watch their eyes and watch their facial expression. I remember those. I refine my pitch every single time, and the pitch starts to get better and better. You should 100% believe in your product, and that should come across every time you match a pitch – whether it’s to a camera, a one-on-one presentation to an investor, or a presentation to someone you’re trying to sell. p.77 Aaron Krause, Inventor of Scrub Daddy. Since 2012, he has sold more than 25 million Scrub Daddies and his company is worth upwards of 170 million.

“The easiest way to obtain a licensing deal is to take away some amount of risk. One way is by showing market demand. You could use a crowdfunding site and show how many people want to purchase your idea.” p. 84

“Crowdfunding is probably the closest thing we have to real intent to purchase because the customer is literally buying something even before it is made.” p. 84 Louis Foreman, Founder and Chief Executive at Enventys Partners; found of Edison Nation; creator of the TV show “*Everyday Edisons*” and publisher of *Inventors Digest*.

There are basically four ways to reach out to potential licensees today: p.89-90

**The direct approach:** Call their corporate number directly.

**LinkedIn:**  Contact someone in their sales or marketing department through LinkedIn.

**Online invention submission forms:** Directly submit your product idea to a company online.

**Trade shows:**  Go to a trade show and meet your potential licensees in person.

**General tips for reaching out p. 90-1.**

**Don’t pitch your idea on initial contact.** Remember, you’re just trying to identify the right person to consider your idea. It could be a product manager at a large company or the CEO of a small company. You should have the mindset that you’re just trying to “get in,” not sell your idea the first chance you get.

*Let your marketing materials sell for you!*

**Look for product managers.** Product managers are responsible for projects from start to finish so they’re one of the best people to talk to about your product idea. Also, they generally don’t care about where ideas come from, they just want good ones! Just remember that product managers are usually very busy. You may have to be very persistent to get through. Don’t give up too quickly.

What if you can’t reach a product manager?

**Try someone in sales.** People in sales are always on the phone reaching out to potential clients. If you approach them correctly, they’ll get back to you quickly. Think about it, their job is to sell. If a salesperson likes your idea there’s a decent chance they’ll help you get it to the right person.

**Don’t look for shortcuts.** Too often, inventors mistakenly think that the best approach is to find someone who’s high up – maybe a CEO or vice-president. This is the wrong approach because they will typically hand off a good idea to a product manager. Your idea just becomes an assignment. If you reach out to a product manager and they like your idea, they will take ownership of it. Don’t be so singularly focused on selling your idea that you bark up the wrong tree. You have to communicate like a professional product developer!

Please note, if you’re trying to get in to a very small company, the president may be the right person to reach out to.

**Don’t avoid the gatekeeper.** The gatekeeper might be the receptionist. Makes friends! Make sure to get his or her name.

**Make sure you keep very good notes.** Because you’ll reach out to many people, taking detailed notes is a very useful way to stay organized.

**Resist the urge to procrastinate.** Inventors hesitate to start pitching their ideas because they fear rejection. The aggressiveness of inventors in working to reach out to potential licensees separates those who succeed from those who fail.

**The Four Approaches in Detail p.91-3.**

1. **The direct approach**

Because of the internet, calling a potential licensee’s corporate number is not as effective a strategy as it used to be; however it is still the fastest way. Also, reaching out directly isn’t always as easy as simply submitting your idea on an online submission form. Sometimes, the right person won’t be on LinkedIn. You might have to break ground by making a cold call.

You should start by putting together a list of 20 to 30 potential licensees.

call on Mondays or Fridays. Monday can be a busy catch up day after the weekend and people are trying to get out of the office on Fridays. I always make sure to practice my script until I really have it down. I always stand up while I make the call and am dressed appropriately. Yes, even on a phone call. It typically sounds something like this:

“Hi, my name is Stephen Key. I’m a product developer and I’d like to submit a product idea to your company. Who’s the correct person or department to reach out to?

In this initial contact, I’m not trying to sell. I’m just trying to get my marketing material to the right person.

I always reward myself after making calls. For me, after calling companies in the morning, I work on creative projects in the afternoon. I try to separate these two jobs. I wear two different hats. Wearing the business hat, I’m calling companies. And separate from that is the creative hat – the role I’m really passionate about. Don’t mix those up.

1. **LinkedIn**

LinkedIn can be a powerful resource when trying to connect with potential licensees. Through LinkedIn, *you may be able to identify someone specific to call*.

From my experience, finding the right person within a company takes some time. Companies vary in size and structure. The right person won’t always have the same title or be in the same department. Reaching out to potential licensees on LinkedIn is quite simple, *but it has to be done the right way*. You can’t rush the process.

Benjamin Harrison is an expert at using LinkedIn to get in touch with potential licensees to pitch product ideas.

After figuring out that he had to change his profile and pitching strategy on LinkedIn, he found success. Through the experience he developed effective strategies to get in to any company. At inventRight, Benjamin’s course about connecting with the right people at companies using LinkedIn, which is called Smart Pitch, has helped many product developers.

**LinkedIn Tips from Benjamin Harrison – p. 94-8.**

“Setting yourself up to success on LinkedIn takes having a well-crafted profile, reaching out to the right connection, and sending a message that sparks engagement rather than overwhelming the recipient. Let’s take a closer look:

**Get your profile right**

Having a killer profile is critical in having success when reaching out on LinkedIn. More often than not, direct message and connection request recipients view your profile to qualify you as a professional. These brief qualifications can have long lasting results.

Having a polished, complete profile, with platform activity, social proof, and a narrative built in is a good place to start. It’s important that connections feel comfortable with you as a professional, especially if they are going to introduce you to coworkers and superiors.

**Find the right connections**

I’ll connect with anyone in a company, but I target sales, marketing, and new product development when reaching out. As a rule of thumb, Sales is the quickest to respond, Marketing is a little more helpful but not active as sales professionals, and Product Development can be hit and miss depending on the size of the company.

Targeting users who are active is a smart approach. Active users tend to not only respond more often, they also typically respond faster. A user’s activity can be seen by viewing their profile. This is a good time to consider what the activity on your profile says about you, when you’re qualifying other user’s profiles.

**Spark engagement by reaching out the right way**

Another qualification process on LinkedIn that happens even quicker than a profile qualification occurs when someone initially receives a message. I call this qualification profess the “initial internal spam filter”.

In order to pass this qualification, you’ll need to take a realistic look at your message and make sure it’s short and to the point, asks a pertinent question that sparks engagement, avoids spammy sounding greeting, and doesn’t include any pictures, videos, or links to your product.

Sorry to break the bad news, there is no “magic bullet script” for reaching out. There is no magic string of words that’s going to work every time.

When reaching out to contacts on LinkedIn, the main strategy is simply to ask permission to send your hopefully killer marketing material over. Short and to-the-point scripts that ask a reasonable question are infinitely more likely to spark engagement and earn a response than long winded rants:

“Hey Jane, is there someone at business x that takes care of open innovation submissions?” or “Hello Tom, does business y take open invocation submissions? I’d love to be able to send you guys product ideas for consideration.”

A more recent addition to the LinkedIn messaging repertoire that’s becoming popular is the ability to send an audio message similar to a voicemail. While standard phone voicemails are an antiquated inconvenience, LinkedIn audio messages are more novel, so they almost demand to be played. Since very few spammers are using personalized audio messages in their strategies, you are less likely to be immediately dismissed as spam using this method. While it may seem old school to record an audio message, they can come across as personal (like a hand written note) when compared to normal LinkedIn messaging. You can use scripts similar to what you would use in a LinkedIn dm when leaving an audio message:

“Hey Susan, I’m curious if business x takes open innovation submission and if so, who they’re sent to? I appreciate your time and hope you’re having a good day Susan.”

Note: Hearing the sound of their own name makes a message feel personal.

It’s important to remember that LinkedIn is not an IP pitching platform and of the multiple reasons that users sign up, I think it’s safe to say that none do in hopes of adding more spam to their day. People sign up on LinkedIn to work on their professional online presence, to actively pursue networking, and occasionally to look for a job. You should try to make connections and ask relevant questions about business, not blast spam.

Remember that it takes the combination of having a killer profile, reaching out to the right connections and sending messages that spark engagement in order to have a high response rate on LinkedIn.

There’s no magic bullet when it comes to getting into companies. It takes persistence. Don’t expect red carpets and champagne every time you reach out. Through persistence and flexibility, you’ll eventually find the right connection, the right company, and the right home for your product idea.”

**LinkedIn Tips from Coach Ryan Diez p. 100-2**

We are not selling and we are not wasting anyone’s time using these scripts.

Subject: Greetings Mr. \_\_\_\_\_\_\_\_- question re: Ergodyne Open Innovation?

“Good Morning Mr. \_\_\_\_\_\_\_\_\_\_\_\_-,

My name is Ryan Diez. I am a product developer from Los Angeles, CA. I have developed a patented heat stress reducer which I believe would be an absolute perfect fit in the ­­­\_\_\_\_\_\_\_\_\_\_ line. Obviously, your company’s on the forefront of innovation in the cooling category so I was hoping \_\_\_\_\_\_\_\_\_ would be open to outside submissions. If so, I have a sell sheet which will quickly highlight the benefits of this product to your company. Please let me know whom I may send more information to…perhaps that person is you?

Thank you for your time,

Ryan Diez”

Subject: Pacific World Open Innovation?

“Good Afternoon Ms. \_\_\_\_\_\_\_\_\_\_

My name is Ryan Diez, I am a product developer from Los Angeles, CA. Is Pacific World on board with open innovation? I have developed an extremely unique yet simple nail care product which I believe would benefit Pacific World and fit wonderfully in your product line. Are you or someone within the company available to review my material?

Hope all is well,

Ryan Diez”

Some additional things to consider:

Subject is important.

I don’t ask for their process. I ask to be directed to the right person.

It is important to say you have a professional presentation that will highlight the benefits to their company or their customers.

Do not waste your time on someone whose profile is not actively current, or otherwise indicates they are not into connecting.

If the contact allows you to send them your material, follow their lead.

Should you send the same message to more than one person at the same company? Yes. We do this with the understanding that most people will never get back to you. All you need is one person to respond with “Sure, send me your sell sheet.”

With that said, there is the possibility that John from company A responds with permission to send the sell sheet on Monday and then on Wednesday, Joe from company A also grants you permission to send him your sell sheet.

So that neither party thinks you are playing one off the other, I always recommend keeping everyone in the know, such as the following.

“Joe, thank you for the quick response. For full disclosure, John agree to look at my sell sheet on Monday. Two eyes are better than one however, and I welcome your feedback too. Please see attached.”

If you do not make it known that an additional party is also reviewing the sell sheet, you risk the chance of highly agitating one or both of them.

This strategy is extremely beneficial, because John may hate the item, but Joe may love it. You have now effectively pitched two people at one company without causing strife!

1. **Online invention submission forms p. 103**

I think there are two primary reasons why companies use invention submission forms. The first is that a company may be receiving many invention submissions and uses an online process to manage them. These companies are generally friendly to inventors. This method is become more and more popular among companies because it offers a built-in tracking system. The other reason that a company will use an online submission form is that they’re actually not very serious about licensing ideas. In this case, online submission forms are just a public relationship mechanism more than anything else – trying to keep people happy but not seriously interested.

Here are some strategies to make the most of online submission forms.

For one, follow their instructions. Invention submission forms allow companies to screen your product submission. At this point, they do not want to establish a relationship or have any dialogue with you. This is their process and I would highly recommend following it.

Ask what the company’s procedure is.

“Our product submissions mean everything to us and we have a very organized formulaic process. Internally we are looking at hundreds of products every week. I would say our process is what allows us to get back to people in a timely manner.” p. 104. Trish Dowling, VP of Merchandising at DRTV company Allstar Innovations, the maker of hit products including the Snuggie.

1. **Trade shows p. 105.**

“Inventors have to do their homework. And the easiest way for them to do it is by walking the trade shows to see what’s out there. Not only does it help eliminate duplication, it also gives them inspiration for fresh, new ideas and to pick up on trends. So, we think it’s very valuable. The professional inventors who we have worked with who have been the most successful have been the ones who took the time and made the effort to go to shows and really get a feel for what’s happening in the industry.” Jonathan Zelinger, President of Ethical Products, one of the most highly respected larger brands in the industry.

“One of the biggest advantages of attending a trade show is that you get to meet all of your potential licensees in one place and time.” p. 105.

“For new clients, I do try to set up appointments. I try to meet with the president, CEO, or vice president of new products, but those people are very busy and they’re at the show to sell, not buy, so it’s hard to nail them down for appointments. A lot of times, they’ll just say to come by the booth.” p. 106. Amanda Hutton, Professional pet and toy inventor who has licensed more than 50 products.

Check out the Trade Show News Network (TSNN) for a complete list of trade shows for many different industries. Here are some tips for working a trade show as an inventor:

**Don’t bother getting a booth.**

**The best strategy is to work the floor.**

**Make sure you attend the right trade show.**

**Register in advance if you can.**

**Make a plan.**

**Dress the part.**

**“I always dress business casual with sneakers, which are very key for trade shows. People say, hey you’re wearing sneakers. And I always say, if someone’s looking at my feet, I’m not doing a very good job.” – p. 107. Amanda Hutton, Professional pet and toy inventor who has licensed more than 50 products.**

**Bring business cards and copies of your sell sheet.**

**“I bring with me the best possible prototypes and sell sheets. I’ll try to do a little research on possible costs as well.” p. 107. Amanda Hutton, Professional pet and toy inventor who has licensed more than 50 products.**

**Avoid approaching booths when they are packed.**

**Wait for salespeople to engage you**

When some approaches you, begin by complementing them on the company’s products and ask questions like, “Can you show me how this works?” Be genuine in trying to get a dialogue going. Eventually, the salesperson will ask you what you do. Tell them you’re a product developer. Ask if they take product submissions.

**Make sure you follow up with your connections.**

**The best approach? Build a relationship.**

“By staying in one industry, he made relationships. Through those relationships, he learned what those companies were looking for.” p. 109.

“It’s important to know that online portals are fine. But personal relationships matter the most.” p. 110 Ben Dermer, SVP of Creative Development at Spin Master, the #2 manufacturer of games and puzzles in North America.

It’s about the idea. But if you decide to go pro one day, It’s all about relationships.” p. 110 Scott Baumann, Professional Inventor and CEO of Procreate Brands, LLC., which has more than 40 worldwide licensed products in its portfolio.

**What happens next. p. 110**

Why aren’t they getting back to me?

What happens when you’re reaching out to potential licensees and you’re not getting any responses back? Time to give up? I don’t think so! Please remember, you have to receive a lot of no’s to find that yes. Here are a few things you need to ask yourself if you’re not getting any responses:

Have you reached out to everyone in your particular product category? Have you missed any retailers that are online sellers? Does your subject line convey your request? Sometimes your subject line needs to be re-written. Are you asking for too much time? Sometimes your copy can be too long. Make it short, sweet, and to the point. Remember, you’re just looking for the right person to submit your idea to. You’re not selling.

“We don’t do automatic responses because it’s impossible! The product has to be reviewed and sometimes we are so swamped that we might not get back to the inventor and we apologize for that.” p. 111. Olyvia Pronin, Marketing Director at Wham-O-Toys, which has created and marketed many of most popular toys of the last 70 years.

One of my students had a great sell sheet and video. He was reaching out to many companies on LinkedIn but wasn’t getting the response he was looking for. I asked him to send over the subject line and verbiage he was using when reaching out to people on LinkedIn. The subject line sounded too much like spam.

We even tried attaching a link for a video. He got even more responses and sure enough found a licensee. Yes, I generally recommend that you don’t include any links at this stage of reaching out, but sometimes you need to be flexible and even run a little test. For some reason, in this case, it worked.

**Following up** p. 111-12

When you follow up, you send a clear message that you’re serious and committed. This attitude will set you apart from amateur inventors and people will respect your persistence.

You really can’t follow up enough. If you don’t follow up, all your effort will have been for nothing. In my experience, people rarely follow up as often as they should. It makes all the difference. In order to move on you need to know if the companies you pitched to are interested or not.

I get it, no one likes being told no, but not knowing is unprofessional. You need to be able to scratch a potential licensee off your list so that you can move on. In other words, you need closure. It’s worth repeating: In order to move on, you need a “no” or a “maybe” from every company that you submitted your idea to.

**You should begin following up 7-10 days after you send your sell sheet. p. 112.**

**Never send an email that asks, “Did you get my other email?”** Reattach everything, every time. p. 112.

**Follow up with a phone call if you can.** If your contact answers, tell them who you are and explain that you care calling to follow up about the sell sheet you submitted.

Here is an example of an effective follow up email:

Hello \_\_\_\_\_\_\_\_\_, thank you for agreeing to look at my [product name] on [date] when we spoke on the phone. I just left you a voicemail as a follow up to the email I sent you on [date you submitted your idea – the same date you first talked on the phone]. I know you are busy, so I have attached my sell sheet for [product name] to this email. There is also a link to a video of the product in the sell sheet that you may find helpful. I’m looking to license this product to your company. If you don’t think this idea is right for your product line, simply reply to this email, “Not a good fit.” If you think this idea is a good fit for your product line, please email or call me at [your phone number].

This strategy works because you’re suggesting an easy way to respond. p. 112-13.

**Keep calling until they pick up.** This strategy works well when you have a direct line. This strategy makes it very clear that you are not going to give up.

**Surprise your contact with real mail.**

**Sometimes, look for a different contact.** If the person you sent your sell sheet to is not responding, and you’ve been emailing and calling them every week for months, it’s time to find a different contact in the same company.

Manage your expectations. Most companies will want to qualify you and your product idea before there’s a phone call. You may not be actually speaking to someone for a while. If you’re really getting no responses, definitely revisit your approach. You have to be flexible. Some strategies will work better with certain industries or individuals.

Also, please remember that many companies have a policy to be closed to solicitation from anyone. That’s why when you reach out to companies on a social media platform like LinkedIn, you goal is to find out if they take outside submissions.

Lastly, be prepared for when you do get that call back! When a company calls you back about your invention, negotiations have begun. Don’t get caught off-guard! p. 113-15.

In following up, *You need to be a polite pest. p. 119.*

Waiting two weeks to confirm that they received your idea is appropriate. It can be frustrating when companies don’t specify how long their evaluation process takes. You’ll have to be persistent and find out. I would call the corporate number and ask for someone in their invention submission department. p. 120.

These are a few questions you need to ask yourself: p. 120-4.

**“Is my product really new?**

**Did I go around the company’s submission process?** If you sent your idea to someone other than who you were supposed to or didn’t follow the procedures outlined on their website there’s a good chance you won’t hear anything back. And, you’ve just proven yourself to be difficult to work with.

**Does my one-page sell sheet clearly communicate the benefit of my product?** One way to test this is to give it to someone you don’t know and look and their reaction. Do they get it? Do they understand it? If it takes more than one minute for them to respond or “get it”, you have a problem. Remember, your one line benefit statement should be short, concise and emotional. Why should anyone care about your product?

Does my sell sheet look like the companies to which I’m submitting my product? Does it look like they could take your sell sheet and put it in their catalog?

Companies spend a lot of time and money building a brand. You must look like their brand.

**Have they watched my video?** Video is now the number one tool that is being used to license product ideas. In some situations, it’s not needed, and a one-page sell sheet will suffice.

I would always follow up with an email with a link to your video. Ask them if they’ve watched it.

**Does my subject line look like spam?** Quite often, you’ll be able to use your one-line benefit statement in the subject line of an email.

**Is my marketing copy the appropriate length?** Make sure to keep it short. Don’t pitch or sell at the very beginning.

**Is the person I reached out to active on social media like LinkedIn?**  Please know that there are many people who are not active or check their LinkedIn page very often.

**Does the potential licensee have a process for reviewing product submissions?** It’s common that a company is not set up to be able to respond to your submission in a timely fashion.

**How’s my timing?** Companies can be extremely busy, so manage your expectations. Sometimes, companies are getting ready for a trade show.

Remember, if a company loves your pitch, you’ll generally get a response fairly quickly. Especially from small companies.

**Reasons Why Your Product Idea Was Rejected p. 125-130**

You came up with a great idea, put together a wonderful sell sheet, filed a provisional patent application, and now you’re reaching out to companies to see if you can license it. Wonderful news, you’re getting in, but something’s not quite right.

**Your idea was submitted to the wrong company.** In my opinion, this is the most common mistake people make. Inventors come up with great ideas and pitch them to companies that don’t sell similar products. They might be good inventions, but they’re not right for the companies they’re pitched to.

*Pro tip: Study the product lines of your potential licensees carefully.*

**Your sell sheet is not selling for you.** It doesn’t clearly communicate the benefit of your product. It may be too long. Maybe it doesn’t look anything like the company you’re submitting to.

*Pro tip: Test your sell sheet by showing it to a friend. If they don’t understand your product within a few moments, you need to get back to the drawing board.*

**Some industries are not friendly to inventors.**

*Pro tip: Reach out to companies that have licensed ideas from independent inventors. Go after midsize companies that need new ideas. Focus on competitive industries with many players; companies will be actively looking for great ideas to best their rivals.*

**The industry is crowded with too many similar products.**

*Pro tip: Plenty of competition does not mean you can’t be successful, but your product is going to have to have a big point of difference. You’ll need that much more of a wow factor to stand out.*

**Bad timing.**

*Pro tip: Look at trade show dates and work backwards nine months. If they like your idea, they’ll have enough time to get it ready for the trade show. Ask potential licensees about the best time of year to submit product ideas.*

*Pro tip: Try to make improvements to that product. When products do well, there will usually be subsequent versions with improvements. Design the next improvement to that product.*

**Your product idea is overdesigned.**

*Pro tip: Tweak your design and make it a little simpler. Have a U.S. based contract manufacturer give you a quote after signing an NDA. Being able to discuss a real manufacturing quote can be helpful when discussing your idea with a potential licensee.*

**Your idea is not original.**

*Pro tip: Make sure you do your own prior art search; you can learn how to do this at USPTO.gov. Make sure your product idea has a clear point of difference from other similar products. And make sure you file a well-written provisional patent application that gives you perceived ownership of the idea.*

**Your product has a bad sales record.**

*Pro tip: If you’re going to sell your own product, make sure you keep a record of your sales data and customer testimonials for your product. A positive sales record and good reviews of your product could be helpful to land a licensing deal. Showing that there’s already demand and positive feedback for your product can function to take away some risk for a company to license that idea and bring it to market.*

**Your product requires new manufacturing equipment.**

*Pro tip: Start with simple ideas that make small variations and improvements on products that are already being manufactured. Don’t proposed product ideas that pose too much risk for companies. Try to take the risk away!*

**You’re being unreasonable.**

*Pro tip: Be patient, be helpful and don’t argue. It’s okay to state your opinion but please realize that you want to make their job a little easier. Ask for feedback and be a team player. If you leave a bad taste in their mouth, they’ll put you on the amateur inventor list.*

**Your potential licensee doesn’t have the resources.**

*Pro tip: Find established companies that are midsize. Generally, they have resources and are looking for ideas to get ahead.*

**You reached out to market leaders.**

*Pro tip: It’s ok to reach out to the big boys, your favorite companies, but realize that midsize companies will typically be more helpful.*

**Your idea hasn’t reached the right person.**

*Pro tip: Try to get to know the project manager who’s handling your product submission. Ask them if they need any help. Be an asset.*

**Your product was sent out for a price quote and it came back too high.**

*“Pro tip: When things start to get serious and you know they’re looking for a price quote I would try to find either a mechanical or electrical engineer and spend some time with them so they can put together a “spec” – a list of potential components that can be used in manufacturing. This type of knowledge is priceless. You might even have a contract manufacturer quote it for you. That way you have some type of control and knowledge of what’s been quoted.*

Getting rejected is just part of the business. Don’t be discouraged!

Getting feedback is incredibly important. More often than not, additional creativity comes after you get some specific feedback on your product idea. Companies are industry experts. Take their comments very seriously. Don’t be too stubborn to make a change.

**“*Don’t get discouraged. Try not to be discouraged. Your product might not be right for direct-response, but you may have a great item. So, just study the market – know what is out there and how your item compares to it.”***

* **Trish Dowling, VP of Merchandising at DRTV company Allstar Innovations, the maker of hit products including the Snuggie.**

Remember, “no” just means “not now.”

***“A professional inventor has objectivity. What a professional inventor is able to do is look at this as a business. The more you do it, the more of a process it becomes. You have to look at the numbers and if they don’t add up, move on.”***

* **Louis Foreman, Founder and Chief Executive at Enventys Partners, founder of Edison Nation; creator of the TV show *“Everyday Edisons”* and publisher of *Inventors Digest.***

Preparing To Answer the Hard Questions p. 135-40

“So right from the start, let’s talk about a few things you simply must do: 1) be on time for phone calls or meetings, 2) know their product line and their business well enough to make conversation, 3) end every discussion with a list of agreed-upon next steps and know who is responsible for each, 4) spell check any email or document you send, 5) if on a Skype call – dress professionally, and finally 6) if you get asked a question and don’t know the answer – say so and let them know you’ll get back to them.

I also make it a point, if possible to find out who I am going to be meeting with or working with. I ask for names and titles. Use LinkedIn to research the responsibilities and backgrounds of the people with whom you will be interacting. Just as you researched the company, so should you research the people.

Understand that just because they ask for something does not mean you should give it to them, yet. Realize that your first conversation with a potential licensee is really an interview.

You cannot speed this process up. At first, they will ask questions to evaluate your product submission. *Do not jump ahead and start to negotiate.* There’s a sequence of events that happens!

* You created a marketable product idea.
* You identified a company that is selling similar products.
* You created strong marketing material.
* You created perceived ownership with intellectual property (usually a PPA).
* You submitted your product idea to this potential licensee.
* They evaluated your product submission.
* They determined they’re interested.

That’s where you are – now, what’s next?

* You start with a basic term sheet.
* After terms are agreed upon, you proceed to a licensing agreement.

Ask them what’s important to them. What do they need to be successful? Ask about their process.

It’s also the perfect time to ask questions about their distribution.

At first, your goal is to give them enough information for them to want to license your product idea from you.

Remember, don’t make the mistake of thinking it’s all about patents or prototypes.

So, how do you gauge whether there’s genuine interest? Engage with them and ask them about their interest level. Ask them about how they see this idea fitting in their product line. What is it about the product that appeals to them or their customers? Just because a company asks to see a prototype doesn’t mean I would send one right away. I always qualify their interest level first. This will save you resources in the long run.

When companies question my ownership of my idea because there’s prior art that’s similar (meaning prior patents), I always tell them: “Yes of course there’s prior art. The important point is that my invention is not on the market. And because of my strong point of difference, I’m very confident I will be granted intellectual property rights on my inventions.”

Your point of difference could be the design, the manufacturing process, or even a new material. The point you’re making is that your product solves a problem in a specific ay that is not yet on the market. You must state this with confidence. This puts the ball in their court. Your idea is unique, they haven’t found it on the market, and they’re interested!

Truth be told, it’s not about patents anymore, it’s about selling first and great customer service.”

**“We don’t sign NDAs, as a policy. I encourage inventors to protect themselves to an extent they feel comfortable with, so they can actually share the idea. NDAs don’t work the way most people think they do.” p. 145. Lawrence Cruz, Chief Patent Counsel at Conair, the $2 billion-dollar maker of small appliances, personal care products, and travel accessories.**

**From Initial Interest to a Deal: Negotiating Licensing Agreements p. 147-67.**

You must negotiate the business terms yourself. As I talked about before the best approach is relationship building. You’re trying to be reasonable and work with your potential licensee. You shouldn’t set yourself up to go to war.

If you are new to this, you do need help. You need a mentor. You need someone who’s been in your shoes and has experience negotiating licensing agreements – attorneys don’t necessarily fit the bill.

**How to set yourself up for success**

Negotiations start earlier than you might think. They actually start the minute you come up with an idea. How? Who you work with, and how you work with them, will set the stage for negotiations. You want to play your cards right from the start if you want to get the best deal possible.

**Carefully study the marketplace.** Companies will have different attitudes and expectations when working with inventors. Some industries and even individual product categories will have different processes and requirements for licensing.

Working with a company that has already licensed ideas is going to be 10 times easier than trying to educate a company new to this business.

**Study your potential licensees.** Check their past. Have they licensed ideas? Are they inventor-friendly? How many lawsuits have they been in with product developers? This type of information will help you prepare an appropriate strategy for your intellectual property.

**Create effective marketing materials.** Strong marketing material can be a great benefit in future negotiations. Remember to design your marketing sell sheet with the customer in mind.

**Create market demand early.** Over the years, I have learned that creating market demand can be a powerful strategy to get you the best deal.

**Have an idea of manufacturing costs.** To move your negotiations along, having an idea of the manufacturing costs can be helpful.

**File a well-written provisional patent application.** Having a well-written provisional patent application is one of the best tools when negotiating with a company of any size.

**Build a proof-of-concept prototype**

**Before negotiating a contract, agree to basic terms.**

**Do you need an exclusive?**

**In which territories would you like the exclusive?**

**In which distribution channels would you like the exclusive**

**How long would you like the exclusive?**

**The licensing agreement: First steps**

The licensing agreement should come from the company, not the inventor.

**Negotiate with multiple companies**

Occasionally you have submitted your product to multiple companies and two or even three of them will be interested. If the overall strategy is to build relationships within an entire industry, how do you navigate those early discussion so you don’t burn bridges when you ultimately choose one company to license your idea to?

Understand that just because there’s interests from a company, it doesn’t guarantee that you will sign a licensing agreement with that company.

If any of the interested parties asks you if you’re showing your product to other companies, that’s a great opportunity to tell them yes.

If you start negotiations with two or more companies, it would be a good idea to tell all parties involved.

Giving your potential licensee the opportunity to move a little faster is doing the right thing. This way you’ve given them a fair warning and it will be easier to deny one company and choose another.

**Basic licensing terms**

Negotiating a licensing agreement is a complex process. Each negotiation will be different depending on the players, the product, and the industry involved.

**Royalty rate**

This is what you’ll be paid by your licensee. Royalties are payments made by the licensee to the licensor in exchange for the right to use intellectual property or physical assets owned by the licensor. In 99% of all licensing deals I’ve seen, the licensee has no asset (think patent), only perceived ownership. A well-written provisional patent application, design patent, copyright, trademark, or trade secret can all contribute to perceived ownership.

*Upfront fees.* If you happen to be paid an upfront fee that is non-recoupable, (you get to keep it no matter what) you might receive a lower royalty rate. On the other hand, not receiving any licensing fee at all might be a good argument for a higher royalty rate.

*Company standard rates*. Companies that have licensed ideas in the past sometimes have standard royalty rates. But your royalty rate can still be negotiated.

*Commercialization*. The closer you are to commercialization, the less risk the licensee will face, and the higher the royalty rate will be.

*Intellectual property.* If you already have patents issued for your idea, that could warrant a higher royalty rate.

*Step-up rates.* This allows the licensee to pay a lower royalty rate early on and a higher rate later; triggered by certain events like trade show, orders, production, etc.

*Step-down rates*. Step-down rates allow the licensee to pay a declining royalty rate as they ramp up production of products that incorporate the licensed technology. As sales volumes increase, you can make more money, even with a lower rate. This can be a huge incentive for them to market and get behind your product.

**Advance against royalties**

Asking for a big lump-sum payment upfront is the number-one way that entrepreneurs and independent product developers kill a deal. This is called “top-loading” a licensing agreement, and it’s not a good way to build a long-term relationship. It does not take into consideration the manufacturer’s situation, signaling to a potential licensee that you are looking out only for yourself. The company may argue that they need to spend that money on marketing. I get that recouping some of your costs is important. But if you try to top load a deal, most companies will walk.

Here’s what I like to do: In lieu of a big advance, I ask the manufacturer to pay for my patents. In fact that is how I’ve paid for many of my patents. My attorneys filed them and I own them, but my licensees paid for them. While an advance is a gesture of goodwill, having a company pay for your patents is good business. It protects the company’s interests as well as yours, and it helps incentivize and motivate the licensee to bring your idea to market so they can recoup the patent cost. If they say no to a lump sum for your intellectual property, ask them if they’re willing to make that payment recoupable against future royalties. That way the cost is spread throughout the year. Who would say no to that? You’re looking out for both of your interests. A lot of deals are signed using variations of this concept.

Sometimes, the licensee will be willing to pay a small cash advance in addition to paying for your patents. It all depends on how big your idea is and how much money they stand to make.

**Minimum guarantees**

You can ask your potential licensee about their estimated sales for your product. Of course, they will give you a low number because they will anticipate that you will ask for a minimum guarantee. For that reason, it’s important to ask your potential licensee about distribution early in your relationship. As mentioned before, at the early stages, they’re trying to sell you as much as you’re trying to sell them, so they’re more willing to provide this kind of information. Regardless of what they tell you, you should do some math on your own.

First, count how many stores are selling products from your potential licensee. Assume every store will sell one unit per week. Assume your royalty rate will be 5% on the wholesale price. And realize that it will take time for them to get your product to market through mass distribution.

**Grant of License**

All licensing agreements have a “grant of license” section. This section spells out, in very specific language, what it is that you are licensing to the company. Essentially it answers the question, “What are they paying me for?”

**Improvement clauses**

Negotiating an improvements clause in your product licensing agreement is crucial to your success. This clause should include improvements, variations, updates, modifications, and enhancements made solely by the licensee or any sublicensee of the license relating to the technology. Trust me, you must own the rights to these improvements or else things can get messy.

Improvements will be made.

It’s actually not that difficult to negotiate these terms.

You can include such a clause when you have a potential licensee sign an NDA.

A different position to take would be joint ownership.

**Audits**

The last thing you’ll want to request is the right to audit the licensees’ accounting records if you suspect you are not being paid what you’re supposed to. Auditing a company’s books does not foster trust and licensees do not like this.

So how do you get an audit clause into your contract? Well, like every other aspect of negotiating a deal, you make it fair to both you and the licensee. Here is how you do that; you ask for the right to audit the licensee if you suspect a discrepancy between how much of your product is being manufactured and sold and the royalty checks you are receiving. Then – and this is where the fair part comes in and why the company will likely agree to this clause – you agree to pay for the certified public accountant (CPA) if no significant discrepancy is found. If the CPA finds a serious error that results in a loss of, say, five percent or more in paid-out royalties, then the licensee will have to pay for the CPA’s audit. If there is a discrepancy, ask your licensee to pay not only the difference, but also interest on the difference- that’s what is fair.

**Breach of Contract**

There’s a very good chance your licensee will breach their contract. Don’t be alarmed by this. Contracts are living, breathing documents. This actually gives you a chance to renegotiate. You may possibly walk away. But if you give them a chance and they can improve their performance, it’s better to build a working relationship. Success in the marketplace is definitely a team effort. Try to understand what some of the problems are and make sure they’re still interested in going forward. Always, be reasonable.”

“**I have never done anything in my life for money. I’ve done it because of the love, the passion, the challenge of it. The money comes or the money doesn’t.”** p. 174. – Richard Levy, toy inventor with over 100 licensed toy ideas including selling 75 million Furbies from Hasbro.

**Fighting to Get Paid. p. 205-17.**

**Education is key to your success.**

**Do your homework.**

**Familiarize yourself with the prior art, aka patents that describe similar inventions.**

**File a provisional patent application that truly has value in the marketplace.**

**Create marketing material that is enticing.**

**License to an inventor-friendly company that has a history of working with independent inventors.**

**Negotiate a strong licensing agreement, meaning one that has minimum guarantees and other types of performance clauses.**

**Grant of license.**

**Line extensions.**

**Trademarks.**

**Copyrights.**

**Use non-disclosure agreements (NDAs) when appropriate.**

**Build an army of raging fans.**

**Create demand.**

**Trade secrets.**

**Manufacturing quotes.**

**Proof of concept.**

**Know your competition.**

**Build relationships with all major retailers.**

**Police trade shows.**

**Keep innovating.**

**Why you shouldn’t rely on a middleman**

To become a professional inventor, you need to be in control of your own destiny. I cannot stress this enough.

If your goal is to license your product ideas, you must educate yourself to the point that you are able to communicate with companies directly and like a professional.

Many people think that inventing success is a matter of access.

But I’m here to tell you that if you educate yourself, you don’t need a middleman. You don’t need anyone to submit your product ideas for you.

You need to get their feedback.

Because most of the time, this is the moment your creativity is really called upon. It’s where it begins. What I mean by that is, very rarely are product ideas licensed as is.

**Displaying your invention at a trade show is like asking to get ripped off.**

**Here are a few tips.**

1. Do not purchase a booth to present a prototype or limited production run of your invention, regardless of whether your aim is to venture or license. Until you’re truly ready to ship product on a wide scale, this is to be avoided.
2. Before you plan to attend a show, verify the companies you’re interested in licensing your invention to will be in attendance. Trade associations maintain lists of exhibitors.
3. Bring a sell sheet and be ready to show it privately. A video or small prototype could be extremely helpful. But please realize that obtaining the contact information of the right person at the companies you want to work with is a win too.
4. File intellectual property protection first. Filing a provisional patent application, trademark, or copyright is easy and relatively inexpensive.
5. Approach companies cautiously. Ask them if they work with outside inventors. If not, move on.