

Licensing Your Invention for Success

By Matthew Yubas

What is licensing as it relates to inventions? Licensing is giving a company permission to manufacture, distribute, and sell a product based on your idea. In exchange, you'll receive payments known as royalties. You are the licensor and the company is the licensee.

The Licensing Process

Before approaching a company to license your idea, you'll need to do some homework. Think about licensing from the company's point of view. They get flooded with requests to license products and don't have time to perform initial assessments on every product idea. They want to understand the marketability of your product idea, manufacturing costs, and profit projections. In many cases, your product idea should be patented or patent pending before a company will talk with you.

Use the following steps from new idea to getting a deal. Like many inventors with many ideas, you need to screen out the bad ideas and pursue the good ones. The first three steps below help you determine the marketability of your ideas.

1. Start the process by evaluating the marketability of your invention. With a quick evaluation of the market need and competition, you screen out bad ideas before wasting your time and money.
2. The second step is to determine if people like the concept of your invention. A concept evaluation is an easy-to-use survey method you can create yourself for free.
3. The third step is to create a prototype and then get feedback. A prototype can be a physical model, detailed drawing, or animation. With a prototype, you obtain opinions to make sure you're on the right track.
4. You need some form of idea protection. Start with a Provisional Patent Application for a year of "Patent-Pending" protection while you test the market to get a deal.
5. Companies need to understand your invention from a business perspective. If you leave it up to the company to figure out your invention, you're much more likely to be rejected. Before approaching a company, summarize the market need, invention

benefits, competitive advantages, and profit potential into a Product Proposal document.

6. Search for companies who make, market, and sell products that are comparable with your invention. Then find a prime contact in the marketing department to pitch your invention. If there's a fit, send a cover letter and your Product Proposal for consideration.
7. Negotiate a deal with an interested company. If the company likes your invention, discuss the terms such as royalties, guaranteed minimum annual royalties, field of use, territory, etc. When you and the company reach a mutual understanding of the business terms, create an agreement. Make sure the business terms and legal provisions are reviewed. Sign the agreement and begin to earn royalties or a lump sum payout.

More details of these 7 steps can be found in the **Invention Success Kit** found at www.ProductCoach.com.

Conclusion

These steps may seem straightforward, but plan on going through several iterations to find the right company, and then additional iterations to negotiate and agree to terms. I advise hiring an attorney, experienced in licensing, to review any contracts and represent you in negotiations.

About the Author

Matthew Yubas is a Certified Professional Marketing Consultant for the Small Business Development and International Trade Center. He has developed products for over 24 years as an engineer, product manager, and independent consultant for startups, small business, and Fortune 500 companies. He has launched new products such as software applications, wireless devices, and websites. In addition, he has helped clients in a diverse number of industries that include photography equipment, auto accessories, soy candles, children's clothing, sporting goods, digital art, and home décor. He has earned a B.S. in Engineering and an M.B.A. in Management. More information is available at www.ProductCoach.com.

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