



Inventor's Galaxy Guide™

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By Rita Crompton, Inventor Lady
303-910-8889 Rita@InventorLady.com

A business strategy designed to help inventors navigate the frontier of taking an idea to market.

Unlike a traditional business plan, a good invention strategy HAS to be done in stages using the information gathered in each step to develop the next. The traditional business plan is a waste of time and can be a disaster for the independent inventor.

So to start with, here are some basic truths:

1. Inventing is hard work and you need to focus. This won't happen by "wishing" for it.
2. Inventing is NOT free.
3. Most patents issued these days are improvements to existing technology. This is good.
4. Do NOT skimp on intellectual property. Use a Registered Patent Attorney!! Be smart!
5. Product PreSale CrowdFunding is NOT free or easy!
6. Legitimate Licensees will only license patent pending or patent issued products.
7. The ONLY thing that gives you power is the strength of your patent.
8. Determine your goal: to license or to be a startup. The early steps are the same but the money requirements are very different.
9. Service providers are service providers. They are NOT partners. Use written agreements and non-disclosure/non-competes.

Phases

Phase 1: Due Diligence

Phase 2: Money Plan

Phase 3: Intellectual Property

Phase 4: Engineering and prototyping

Phase 5: Product Launch

Phase 6: Licensing

Introduction:

Don't Spend a Dime before it's time!!

This publication is designed to help you avoid unnecessary steps and wasteful spending. If you absolutely insist on reading more than you need in order to be successful, then there are tons of resources out there. For example, the NOLO books are informative. This workbook is for when you are serious about getting to market via licensing and not as a startup.

First you really need to determine your ultimate goal. Some inventors want to be a startup but just don't have the skill set. The sooner you can make these early determinations, the less money you will waste. Some inventors have a good idea but make fatal money mistakes and are never able to get to a market. To be a startup you will need the following:

1. Business experience: Have you ever managed a business?
2. Marketing experience: There is a difference between marketing and selling. Can you do both well?
3. Manufacturing experience: Have you ever been responsible for making a product on a large scale.
4. Understand the "Barriers to Entry" in your industry. **Every** industry has them! For example, if you have a pet product, you need to know that ALL the shelf space in the US is already owned by just a few companies. Consequently, if you don't get one of them to buy into your product, you will never get into a store. Home Health Care has serious safety regulations. Learn your industry!!
5. How deep are your \$\$ pockets. You will put in everything you have and more before you qualify to even apply for VC or Angel funding.

The first 3 are each full time jobs. Which one are you and who can you find to do the other jobs? How are you going to pay them?

Some inventors know they want to license or sell their patent. If you are not sure, we are going to give you some facts that will help you decide one way or the other. At that point you will be able to make better business decisions and get to work.

Facts to keep in mind: Licensing vs startup

A legitimate licensee does the following:

1. Does NOT charge you anything up front.
2. Manufactures the product.
3. Markets and sells the product.
4. Most often pays to defend the patent.
5. Pays for product liability insurance.
6. Sends you a check.

A Startup does the following:

1. All Manufacturing.
2. All Marketing and Sales.
3. Pays to defend patent.
4. Pays all Product Liability insurance and claims.
5. Pays partners (co-founders)/VCs or Angels (\$\$\$\$\$\$!!!!!!)/contractors.
(Service providers see you as an open wallet.)

Whether you are a licensor or a startup, the consumer is the one who determines the pricing of the product. It really doesn't matter what you want to sell the product for. It only matters what the consumer in the target market will pay.

The next step is to understand the "multiple of 5". If your product is a \$10 retail product, the store bought it for \$5. A distributor bought it from you for \$2.50. (You CAN'T sell them ALL yourself.) That means you have to manufacture, package, ship and insure for \$2.00. That leaves you \$.50 per unit to pay for marketing, to defend the patent, pay for insurance and pay all your contractors as well as any interest to investors. For many inventors, understanding this reality helps you make the decision of licensing or startup.

I recently met an inventor who had spent over \$500,000 of his own money and all he had was a functioning prototype. He still had no manufacturing, had never sold one and was completely out of money. This is NOT a good place to get to! Then he had the temerity to tell me he would earn more money as a startup rather than as a licensor. He will never get out of the financial hole he is in even if he gets his product to market.

This is a workbook. Go through the steps so that you will know what information will be needed. If you know you want to license your patent, this is ALL that you will need. If you want to be a startup, you will need ALL of this to do a traditional business plan, which VCs/Angels or the banks will require.

How do you use the workbook? Go through each section so that you learn what the stages are and the range of costs. It is also important to learn what the issues are so that you know what questions to ask. Before you spend a single dime, you want to have a ballpark budget, know the issues and options.

And remember: Don't Spend a Dime, Before It's Time!

Let's get started!!!!!!



Phase 1: Due Diligence

*By Rita Crompton, Inventor Lady
303-910 -8889 Rita@InventorLady.com*

Do as much searching on your own as you can. Then, have a professional search done. Use a private company or an attorney who is NOT going to write your patent. It is a conflict of interest to have the attorney whom you want to write the patent do the search. Also, be wary of those advertisements you see on TV. There is NO one stop shop for everything you need. You pay as you go!

A good search should include a search of the USPTO database, an international search and a product search. *SearchQuest Patents charges \$499 for a comprehensive search. Sometimes the most valuable information you get is, "NO," don't move forward! Most searches come back with lots of questions. This is good. Most issued patents these days are improvements on existing widgets.

Once the comprehensive search is complete, take the search report to a qualified Registered Patent Attorney (RPT). The RPT will have an initial charge to review and set patentability parameters

Find out who you prefer to use for the search and fill in the blank below.

Phase 1: Comprehensive Search: \$499 to \$2500 Your cost _____.
Search Review: \$720 to \$1500 Your cost _____



Phase 2: Money

By Rita Crompton, Inventor Lady
303-910-8889 Rita@InventorLady.com

Money is the biggest challenge for inventors.

Don't spend a dime before it's time!!

At this point, you have spent about \$1,500 to \$3,000, depending on the service providers you use, to determine whether or not you have something “new and novel”.

Assuming that the search comes back with good news and you really have something “new and novel”, the next step is to decide how you are going to pay moving forward. Do this before you indiscriminately start throwing money away.

1. Yourself: If you have unlimited funds, good for you. This will be faster and easier.
2. Friends, Family and other Fools (the 3F's)
3. CrowdFunding can be a useful tool. However, you need to know that a good/successful campaign can cost over \$5,000 and take several months. If you don't know what you are doing, you can easily find yourself upside down after the campaign, with an obligation to refund money you no longer have.
4. Venture Capital Firms (if you plan to be a start-up): This is an application process. You still need to do the steps in this workbook and then the traditional business plan. You will need a ton of cash to get to the point of being able to successfully qualify for funding. REMEMBER: Today, virtually all VCs (or even Angels when they're part of a group) will require 10X their money back in 3-5 years. If you can't scale quickly just using money, forget it.
5. Archimedes' Offspring (if you plan to license or sell your intellectual property): This is also an application process. You need to have both

the comprehensive search and the patentability opinion done to apply for the funding. You do NOT need a business plan.

6. Each of the other phases will outline how your valuable dollars should be spent. You will note that there is no allowance for boondoggles to China. Take a vacation on your own dollar, not out of your invention budget. Stupid trips to exotic lands under the guise of manufacturing are a BAD use of precious dollars.

Phase 3: Intellectual Property

By Rita Crompton, Inventor Lady
303-910 -8889 Rita@InventorLady.com

The ability to license or sell your invention is directly related to how good the patent is. If you take short cuts with your patent by using a discounted TV group or trying to do it yourself, your ability to license goes out the window. **DO NOT DO YOUR OWN PATENT!!**

AGAIN: DO NOT DO YOUR OWN PATENT!

Here is what you need to know:

1. No Patent –No License. Anyone who tells you that you can license your idea without a patent doesn't know what they're talking about. The ONLY thing that allows you to control the process is owning the patent and keeping the controlling interest in the patent.
2. You MUST use a Registered Patent Attorney (RPA). The hourly rate is the big variable.
3. Having an RPA file a Provisional Patent Application for you is a good strategy for budgeting and for testing the market.
4. When possible, have the RPA file a utility patent (also referred to as a non-provisional patent application)
5. There are times when a design patent might work, but it shouldn't be used if you can file the utility patent. In fact, sometimes you should file both. This is a question for your RPA.
6. Why should you NEVER file your own patent? There is a reason the RPA's went to school for so long. There is an art to writing a GOOD patent and most inventors don't understand the tug of war that happens between the attorney and the uspto examiner. The inventor knows what the invention is and writes exactly what he/she knows. This is wrong! The attorney tries to push up against all the other patents that have been filed related to this new one and grab all the geography possible to be included in the new patent. It really is a tug of war and the RPA is your general!

7. The big variable is the billable hourly rate for the RPA. Always ask what the rate is. In this case: more doesn't necessarily mean better, it just means more! I have seen really good attorneys at \$200 an hour and really bad ones at \$600 an hour.
8. A Provisional Patent Application is tricky and often misunderstood by the inventor. Technically an inventor could write out his/her idea on a roll of toilet paper and mail it to the uspto. As long as all the paperwork is submitted, no one passes judgement on the merits of the actual idea. The issue is understanding that the purpose of the PPA is to protect your filing date while you develop the final product and test the market. The MAIN purpose of the PPA is to protect your filing date if you are challenged in court. In order to do this, the PPA MUST have an enabling disclosure: claims and drawings. The best case scenario is that the PPA is the front half of the full utility patent filing. This means it protects your filing date, will stand up in court if challenged, give time to develop product and test the market. It also helps with the budget because it is the first half of the patent costs.

The average cost of a nonprovisional patent application (Utility Patent Application) should be \$8,000 to \$10,000 depending on how complicated it is. Now understand that, the big variable here is the RPA's hourly billable rate. If you decide to use one who charges on the high end or charges for every email and phone call, your total cost for the preparation of the patent documents can easily hit \$20,000 or more.

Cost for Provisional Patent Application \$99 to \$6,000 (If you use the \$99 option, your ppa is probably awful.) Average is \$2,000 to \$4,000.

Your cost \$ _____

Cost for Utility filing \$8,000 to \$10,000. This depends on whether or not you had a RPA file a PPA and that cost is applied to the utility. In this case the utility filing should be \$4,000 to \$6,000 depending on the details of the PPA and if you had material changes to the product design since the PPA was filed.

Your cost \$ _____



Phase 4: Engineering and Prototype

*By Rita Crompton, Inventor Lady
303-910 -8889 Rita@InventorLady.com*

This phase has the greatest number of variables. It depends on material needed for your invention, how complicated it is and what you can do in your garage. Ask for quotes, ask for references and by all means get quotes in writing. If you need a Non-Disclosure Non-Compete, let me know. I give them away free.

Most good engineers will ask for a retainer. This is normal. It is usually applied to the hours needed if you contract with that engineer to do the job.

1. Ask for quotes/estimates in writing.
2. Ask for timeframes and hourly rates.
3. Use a Work for Hire agreement (if you don't know what that is, ask me).
4. Do not give away part of your ownership in the patent to an engineer without understanding the true costs and their expectations.
5. Consider using a local engineering college to help. The costs will be lower, but the timeframe will be much longer.

I have met inventors who have engaged an engineer before a comprehensive patent/product search was done. Another BAD idea! Engineers will do the best they can, but it isn't their job to worry about the patentability or if you are infringing on another patent. They are going to make what you ask for and charge you. Get your search done, have a registered patent attorney set the parameters and then go see the engineer.

This cost is often broken into a couple steps.

Engineering Design and Drawings \$_____

Prototypes \$_____



Phase 5: Product Launch and Marketing

*By Rita Crompton, Inventor Lady
303-910-8889 Rita@InventorLady.com*

Dollar for dollar, you will get the most for your marketing dollars at a professional tradeshow. To go to a show, you have to pay for an exhibit booth. Going sooner to walk the floor is not a bad idea; however, you can't sell your product. It makes the other exhibitors angry. It is a great place to gather market research: desire for product, packaging, reseller interest, price points, etc.

Manufacture a short run

Inventors who can manufacture a "short run" (500 to 1000 units) enhance the ability to get a licensing agreement. There are several resources available for this step to keep the pricing manageable. This will be more about what dollars you can afford to spend and can range considerably. If you have questions or need referrals, ask me.

Budget \$5,000 to \$25,000

Your cost \$ _____

Tradeshow

The dollar swing for this is \$2,500 to \$10,000. Hopefully, you still have some money left in the bank to go to one.

Your Cost \$ _____

1. Don't go alone. There is no way that you can work the booth and work the floor alone.

2. Whoever goes with you needs to know what he/she is doing. Don't just take a spouse or friend to have a warm body along.
3. Don't overspend on booth "stuff" that you can't take with you for future use. Exhibit halls will take as much as they can get from you, including your first born if they can. Union people will offer to help you on site and then send you an invoice. Be careful!!!
4. Find out what marketing is legitimate for your particular show. Lots of hooligans will give you a hard pitch to sell ads and services. ONLY go through your show contact for this or you will pay dearly for very little benefit.
5. Look for reasonable accommodations at the show. If you are working the show right, you will be too tired at the end of the day to go "out on the town".

Website

Don't over spend on a website. You don't need a big fancy site yet. In the early stages you need a landing page with basic information and contact information. If your budget allows, you can get a simple WordPress site.

Budget \$500 to \$1000.

\$Your cost _____

Videos

Again, don't overspend. In the beginning, these can be inexpensive. If you have to, use your smart phone and load the video to YouTube!

Budget \$0 to \$5,000.

Your cost \$_____

(If you spend more than \$5,000 or tell me you went "on location," I will haunt you in your sleep.)

Printed material

The basics: Business cards and some flyers. Print 500 (usually the lower end of pricing options). Use good quality paper and color. This reflects on you.

Budget \$500

Your cost \$_____



Phase 6: Licensing

*By Rita Crompton, Inventor Lady
303-910 -8889 Rita@InventorLady.com*

1. No legitimate licensee will charge you up front. A few will even give you a small advance against future royalties. Some will pay you for existing inventory.
2. Don't make the mistake of trying to do licensing alone. It really can be quite challenging and can result in a fatal business decision.
3. Regular transactional attorneys rarely know what a real licensing agreement should look like. All they see in you is billable time.
4. Use a licensing agent to help negotiate the deal. Keep in mind that many licensing agents charge up front for their service regardless of success or not. There shouldn't be charges up front. The licensing agent should be paid based on success. If you have questions, please contact us.



Conclusion

*By Rita Crompton, Inventor Lady
303-910 -8889 Rita@InventorLady.com*

By now you have read through the strategy workbook for the first time and maybe even have filled in some of the blanks. Most likely you still have some information to gather. If you want more resources or just have some questions, send me an email at Rita@InventorLady.com or visit my website www.InventorLady.com .

We are here to guide, answer questions and offer resources to help you make the best decisions for success.

Good luck!