

CAREERS: FIRING ISN'T THE END OF THE ROAD. 13

your business

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THE WEEKLY GUIDE TO YOUR MONEY, ENTERPRISE AND CAREER

HEY

I've got
an idea...

3 The path to a patent can be long and costly, but it's worth the effort if the invention is a hit.

BY MARCIA HEROUX
POUNDS



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Now that you have that million-dollar idea, be prepared to spend a fortune in time, effort and money to defend it.

Protecting a brainstorm



FROM IDEA TO MARKET

Second in a series

**Stories by
MARCIA
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James C. Hobbs II is an accomplished inventor. He has more than 75 patents to his name including complicated medical devices for heart surgery. But after spending several thousand dollars seeking a patent on one of his simpler inventions, a sun shade to wear at a football game, he gave up.

"I had to restructure it so much it got too restricted. It was not worth it. That's one of the things happening today. The patent office has some 5 million patents in it," Hobbs said. The inventor, who often does patent searches in Washington, D.C., describes the U.S. Patent & Trademark file room as longer than a football field, with stacks of files 7 feet high. "You can barely walk through the stacks."

That's why, Hobbs said, it is best not to invent to make money. "If you make the product right the money will come in. But for every one you do, you probably disregard 1,000 ideas. I do it for the challenge."

An inventor may think he has the best idea in the world, but he has to survive many layers of examination and costly fees before he can hold a patent certificate with the blue seal and ribbon in his hand.

To be considered for a patent, an inventor has to show patent examiners that his idea is *new* and *not obvious*, said Robert C. Kain, who has practiced patent, trademark, copyright and trade secret law for 15 years in Fort Lauderdale.

Obtaining a patent is a costly ven-

ture. Although it only costs \$10 to file a two-year disclosure document that gets the time of your invention on record, the costs keep going up from there.

Total patents can cost \$5,000 to \$10,000 and often take at least two years to process, patent lawyers say. That cost may include a patent search, with legal fees, government filing fees and amendments. There is no assurance in the end that the inventor will receive a patent for the money spent.

Why apply for a patent? Because if your product is a success, it gives you the right to stop other people from manufacturing, using or selling your invention.

To stem off competitors or copiers, inventors can apply for a provisional patent. For \$75, the provisional patent gives the inventor one year to prepare his patent application. It offers no protection except to record your invention with the patent office.

"It is a decent barrier to somebody filing his own patent on your invention," said Rick Martin, a former IBM staffer from Boca Raton who now is a patent lawyer in Colorado.

While a patent is pending in the U.S. Patent Office, no one can pull it up on a computer screen and find out about your invention. Full disclosure is made only after a patent is awarded. After that, anyone — including people outside the United States — can look up your patent

information, which may include a description, claims, drawings and formulas.

A patent pending "wards off other potential manufacturers who are looking to come out with the product," said Pamela H. Riddle, chief executive of Innovative Product Technologies in Gainesville. "They don't know when that patent pending is going to [turn into] a patent," Riddle said. Under infringement laws, the violator can be liable for triple patent-law damages.

Another common complaint among inventors is the high cost of defending a patent.

"Patents are only good if the underlying product is successful as a business," Kain said. "It can cost \$150,000 to \$1 million to defend it. The average is \$750,000."

The cost may be higher without a patent: If your product does take off in the marketplace and it is not patented, anyone can replicate it.

Sometimes, it only takes a letter from your law firm instead of a court battle to ward off copy-cats.

Once you can clearly defend your patented invention, it becomes more valuable in the marketplace. The economic premise is if you have a patent covering the product you're making, you can charge more for the product and keep competitors from making the same thing, Kain said. "It's a government-approved monopoly for 20 years."

The patent process

Inventors need to follow a patent process that includes:

■ **Documenting the invention.** Write in a book your notes and considerations in your invention's creation. Sign each page and have it countersigned by someone who *also* signs a confidentiality agreement not to disclose the information.

■ **Talking with a lawyer** specializing in patents who is willing to testify on your behalf about your documentation.

In selecting a patent lawyer, Kain recommends the inventor ask whether the lawyer have experience in patents and trademarks, find out whether that experience fits with his business goals and whether he has the technological, engineering or scientific know-how to understand what the inventor is pursuing.

"You select a patent attorney like you select a doctor. Get recommendations," Kain said.

■ **Doing a patent search** via the Internet at www.uspto.gov and requesting a search from a patent lawyer or other consultants that have experience. The Small Business Development Centers at Florida Atlantic University and Florida International University help inventors with patent searches. But Kain warns that computerized searches only go as far back as the 1970s and the Web site is not easily searchable by the inexperienced.

Martin said it is best to retain a

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PATENTS

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patent lawyer who can do a manual patent search at the patent office in Washington, D.C.

Kain said there are two basic requirements for the Patent Office to award a patent: The idea or design has to be new — different in some way from everything else patented. It also has to be non-obvious: something that is more than a simple engineering change.

There are two types of patents to apply for, depending on your invention and how much protection is warranted:

■ **Utility patent:** This is the most valuable type of patent and most difficult to obtain. Certain pharmaceuticals and pacemakers have utility patents. Under a utility patent, an inventor also can patent a process.

Kain said a recent federal appellate court ruling has made it much easier to receive a patent on computer software.

■ **Design patent:** This protects the way a product looks. Designers of portable telephones and sneakers

might seek such a patent. Most experts say design patents are fairly useless in the marketplace because someone can mildly alter a design and copy your idea.

Foreign patents costly

Martin said one of the first strategies is deciding whether the product is marketable in a U.S. or international market. For most South Florida inventors, the U.S. market "is plenty big," he said.

Global patents are even more costly. A European patent costs \$60,000 to \$100,000 including searches, legal fees, amendments and other process fees; it takes about five years to get, Kain said.

"In almost all foreign countries, the government believes patents are filed by companies and companies can pay much higher fees," Kain said. That's why there has been greater innovation in the United States compared with other countries, he said. "The U.S. is the cheapest and quickest place to get a patent."

Inventors can ease their way into the world market by joining the Patent Coop-

eration Treaty, which represents most of the industrialized nations of the world. If the inventor has filed for a U.S. patent and has followed non-disclosure rules, he can join the Patent Cooperation Treaty, which gives the inventor 1½ years to file his patent application in each country that belongs. The total cost is about \$5,000.

"In the long run, it is the hope that the [treaty] will form the basis for a world-wide patent," Kain said.

A patent also must be maintained. For a U.S. patent, fees are paid three times over the 20-year life of the patent. Still, that patent is always open for challenge and review by patent office examiners.

Hobbs, the inventor, said he engages a patent lawyer to determine how a patent could be broken before it ever happens. "There are 23 ways to break a patent," he said. That research can come in handy to scare off challengers.

Says Martin: "A patent is like a marriage between you and the government. It can be divorced at any time."

INVENTIONS

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we're not going to get anywhere."

Another consideration: How strong is your initial distribution network?

Martin said the invention doesn't have to be a complicated one, but it does have to have a viable method of distribution. He gave the example of clients who sewed a holder for a disposable pooper scooper. The simple product, called the Stylee Dog, has been picked up by a pet store chain.

"The most important thing they've done is create that initial market," Martin said.

Inventors have three choices for getting their products into the hands of customers:

■ Invent, manufacture and sell their own product.

■ Find a manufacturer to produce your product and focus on marketing it.

■ License their product to a manufacturer or larger corporation and, if the product sells, collect royalties.

Riddle said if the inventor has never manufactured a product, he probably would be better off finding an experienced manufacturer to produce or license his product.

"Are you ready to commit 20 to 30 hours a week to travel around the country to have your product sell?" She said new inventors ought to ask themselves, "What are you willing

to commit to make your product successful?"

More often than not, Riddle tries to obtain licensing agreements for her clients.

Riddle operates Wal-Mart's Inventors Network for the Southeastern United States. For a flat fee of \$275, products are reviewed by her office's team of experts and then put before buyers. There's no guarantee: Wal-Mart makes the final decision whether to add the product to its shelves.

"My specialty is mass merchandising. I can go into Wal-Mart or Kmart and look at a product and know the emotional, financial, fiscal struggles it took to get to that place," she said.

Once a product is sold to a large retailer like Wal-Mart, buyers are interested in selling it to other retailers, she said. "In many cases, they prefer that other places be selling the product to lower the risk and help with the advertising," Riddle said.

Resources to market and to advertise a new product are crucial to its success. Many clients "operate on a budget of \$10,000 or less to try and bring their product to the market, hoping to enter into a multimillion national market to compete with some of the biggest companies in the world for shelf space," Riddle said.

Licensing offers path to production



FROM IDEA TO MARKET
Second in a series

THIS WEEK

Sunday: Invention may be the spirit of America, but the American patent system presents serious challenges to any inventor.
TODAY: What you need to know about patents and trademarks, how to license your product, and price and market your invention.
Tuesday: A former band manager is on the verge of success with a simple smoking cigarette lighter.
Wednesday: A Boca Raton pharmaceutical saleswoman hopes she can make it big with a versatile dining chair cover.
Thursday: A couple moves their company from Connecticut to Florida to develop a bionic dolphin.
Friday: Two others and a ther-son venting team come together to fill a digital stem-enhancing item for movies, Internet and CDs.

Jim Ward, an inventor from Rome, Ga., who recently attended the Innovators and Entrepreneurs Expo in Miami, said obtaining his two patents was easy.

"The biggest challenge is getting [the products] to the market," he said.

Ward has been trying to license his Puppy Perch, a mount that allows a small dog to ride with his owner on a bicycle, and the Canine Carry, a flexible harness designed to restrain a dog while training him without putting a strain on his vertebra.

He has approached some bicycle manufacturers about the Puppy Perch, but has had no bites yet.

Licensing is often the best bet for an inventor who doesn't have the manufacturing experience or resources to carry a new product to market himself, experts say.

When an inventor licenses a product, he is selling specified rights to manufacture and sell his invention in exchange for a royalty payment.

"The average royalty is 5 percent of the manufacturing cost of the product," said Pamela H. Riddle,



Jim Ward is trying to license his Puppy Perch, a mount that lets a dog ride along on a bicycle.

chief executive of Innovative Product Technologies in Gainesville.

The manufacturer should give the inventor an upfront fee to show it is

working in good faith. That may be anywhere from \$5,000 to \$150,000.

"The highest one I had was \$3.1 million," Riddle said. That was for

an interlocking portable dance floor she said. "That's part of the negotiation. Have them make you an offer which puts you in a counter-offering position."

The fee also helps reimburse the inventor for some of the research and development and costly government approvals required.

In making an agreement with the manufacturer, look for a minimum guarantee on sales, Riddle said. This should say how many units will be sold for an agreed-upon number of dollars. That will entice the licensee to get out and sell the product and not hold on to it or come out with a deviation, she said.

Most agreements are done for three or five years, with options for the licensee and licensor to renew the agreement after that.

"If you're going to do business with them, check them out thoroughly," Riddle said. She said go beyond credit and court checks. It may even be worth hiring a private investigator.

Robert Kain, a Colorado-based lawyer who specializes in patent and trademarks, said licensing also can be spread around by type and location.

"You can carve up the patent by market: consumer market, military, service market," Kain said. Inventors also can give different licenses to different geographic areas. "You can't do that with all intellectual property."

Riddle said there was one inventor who wanted to keep his small family business in Florida so he retained his rights to the state but licensed his product in the rest of the nation.

"If [the licensor] was one huge company I would probably try to license it to them, but if the product has several usages, you have options," she said.

Sources for inventors

- U.S. Patent and Trademark Office's Web site: www.uspto.gov. Assistance: 800-786-9199.
- *Thomas Register of American Manufacturers*, available at major libraries including Broward County's main library in downtown Fort Lauderdale.
- On the Web, www.thomasregister.com
- The United Inventors Association of the USA, a nonprofit organization that publishes newsletters, information on inventor resources and promote awareness of fraudulent invention marketing companies. United Inventors Association at 716-359-9310.
- Intellectual Property Owners Association: 202-466-2396 or on the Web at www.ipo.org

- Wal-Mart Inventors Network, represented by Innovative Product Technologies in Gainesville: A program developed to assist inventors and innovators by evaluating consumer product ideas through a two-step process. The evaluation, even if positive, does not mean Wal-Mart will place the product on its store shelves. Cost is \$275. For more information, contact Southeastern-Win Program at 352-373-1007.
- Inventor's Society of South Florida/Fort Lauderdale: 954-776-1188.
- Enterprise Development Corp., a not-for-profit government business partnership established to guide development of Florida's economy. For South Florida, call 561-627-2555.

Identify a market need, then go invent

Would you buy an apple-polishing cloth? That's one of the inventions one family tried to market.

After more than a decade working with inventors to commercialize their inventions, Pamela H. Riddle has heard it all.

Riddle, chief executive of Innovative Product Technologies in Gainesville, said that obtaining a patent is only one step in a long process for the inventor.

Only 2 percent of all patented products are licensed and 1 percent make money, she said. "The odds are against you," Riddle said.

Former Boca Raton IBM employee Rick Martin, now a patent lawyer, says there are three big questions to ask yourself about trying to market

The Five C's of Pricing

- **Cost:** Know your cost structure inside and out. Costs include everything that goes into making the product — packaging, marketing and labor costs, as well as government approvals and incorporation fees.
- **Customer:** How do customers view your price? It is essential to ask their opinion on pricing. Consider the price

elasticity — the highest and lowest reasonable prices for the product and service.

■ **Channels of distribution:** You need to set your price high enough so that middlemen are motivated to sell your product. But the margins they add affect the price your end-users ultimately pay.

■ **Competition:** There are substitutes and alternatives for your customers. Identify your competition and become familiar with the alternatives against which you are evaluated.

■ **Compatibility:** Is your pricing approach compatible with your marketing strategy, sales goal and your image?

SOURCE: Rick Martin, patent lawyer

viable?
 ■ Does the inventor or his team have the skills to take it to the

Martin said the inventor needs to consider the Five C's of Pricing: cost, customer, channels of distribution,

ly going to knock out a 20 percent profit margin," Martin said. "You need to have profit margins on :