

Inventors' Network Volume 9

Of the Capital Area [INCA] Issue 8

Website: <http://inca.hispeed.com>

Bill Kuntz Pres (202) 638 4988 Phill Shaw Treas 202 927 3778

JOHN MELIUS 301 870 8708: VP, PROGRAM CHAIRMAN:

Raoul Drapeau, Web Master (703) 573 6055

Hospitality - Jerry Porter (301) 962 8491

Asset-Oversight , *Call Tom Moseley 301 384 6814 h*

Ray Gilbert Editor (703) 971 9216

September 14: Friday Visit to Aberdeen Md for orientation, demonstration and active instruction at the Army's R&D laboratory for **quick-response prototype fabrication.**

Our new member from the Industrial Design Society of America (IDSA), Jerry Greenfield, will be luncheon host to this field trip.

Map on Page 8. Car pooling may be possible. Program starts at 10:30; Over at 3:00. Call John Melius, 301 870 8708 to get more instruction about this Independent Inventor research trip.

September 17: . **Mr Richard Levy** was a central speaker at the 6th Independent Inventors conference on Aug 3 and 4. He shared important experiences about building his own invention practice and about his cooperation practices in developing new market items for a product-hungry toy market.

Mr Levy has written his 12th book; this one also for inventors. His examples of "what it takes" to bring ideas into the toy marketplace identifies characteristics for inventors to refine within their self-image and product output.

He helped some of us further open our eyes for the processes leading into a "royalty" phase for some of our marketable ideas. Mr Levy answers inventors questions very clearly and well. He has a lot more to say that he had time to share within the INVENTOR'S MONTH conference. BRING A FRIEND!

October 15, Mr Don Bonnett will get to fundamentals expected in Professionals who pay real attention to the practice of responsible selling.

November 19, Mr Walter (Jerry) Greenfield, area executive for IDSA, will speak on the evolvment, role, and current contribution of **Industrial Designers**. Mr Greenfield is particularly knowledgeable about automobile design, rapid prototyping and invention processes for consumer products.

INCA will be host to members of the mid-Atlantic chapter of IDSA for this joint meeting.

Our December 17 speaker is Mr John Galbraith. Mr Galbraith holds patents, is a registered patent agent and is experienced in market analysis. He will share his experience about licensing and preparation. .

MEETING: 3rd Monday,

20 August

5:30 Network w Pizza

6:30 **Mr Rodger Flagg**

Inventor, 12 patents, Registered Patent Agent and President of EXPRESS SEARCH. 703 535 5455

7:30 Member & Guest Issues

Themes from our July meeting:

Mr Neil Milgram visited from **Topcraft Precision Molders, Inc** (215) 441 4700 301 Ivyland Road, Warminster Pa 18974. He spoke to subjects that are important to inventors whose products might be injection molded:

An inventor's business team should set criteria for selecting producers of prototype and early production quantities.

Producers will cooperate in providing evidence about quality and strength of companies:

The inventor or his business team can ask for and get references from customers.

The customers can be called and talked-to. Quality managers often are candid about their suppliers.

Prototype tooling and initial short-run demonstration products are available through selected off-shore specialty suppliers. Topcraft, as a responsible US Molder often assists developers of new products in obtaining trial or short-run parts through these specialty firms. This assistance meets needs of the customer and the specialty firm during startup of a new product. The assistance is important to the production molder because resulting new products are important in "loading" higher-level production equipment. During both development and production, the production molder can provide responsible cost estimates for products whose market is dependent on low unit production cost.

Prototype tooling and initial proofing-level production of 100 molded pieces might cost \$8,000. Advanced funding through angels and venture capitalists, as well as licensing is made easier with 'near-finished product appearance. Also advanced order taking for future market-channel quantities is greatly enhanced when the project's samples show an exact "look" of future-molded components.

Neil drew upon his consulting experience in sharing most inventor-developer's need for sufficient early **funding** to meet **"front-end" marketing costs** even after development and production investment have been worked out. There is high likelihood that building a track record of customer demand for a really new item will demand cash to get initial quantities made, presented-to-customers and sold.

Strategies for commercializing a product need to be reflected in pro-forma distribution cost estimates that are critical in determining sale price. Pricing data from responsible manufacturers is necessary homework whether the actual distribution is performed by a licensee, by a distributor under contract or by other creative efforts of the inventor-turned-entrepreneur's team.

Mr Milgram's presentation to our INCA group revealed that he had developed important experience in working with inventors as their friend and mentor, as well as a responsible molded product supplier.

EDITORIAL SECTION

The USPTO Customer Satisfaction Report for 2000 included pictures from last year's Independent Inventors Conference at Univ / Maryland. The 26 page satisfaction report quantifies customer **satisfaction levels that went up for courteousness and timeliness but down for cost and value.**

Your editor suspects that a perception of lowered value was driven by news that the congress had held back about 15% of funds collected by USPTO based on their budgeted needs. Such withholding seem to feel like an imposed, ad-hoc Federal administrative tax focused on USPTO's customers.

Issue: Did this tax extract more customer value than the USPTO's multiple initiatives has added? In your editor's judgment, the recent value contributions from USPTO to their customers has greatly exceeded the unexpected losses from this level of dilution. For instance, what other service do we receive that offers a free, on-your-home-screen, assistance to amateur and professional Intellectual Property persons? Also, what other service-provider is bringing measurements of quality and performance to visibility of its performers and to its customers? What could be more cost-effective than electronic application filing?

EDITORIAL - Continued

The USPTO has been energetically pursuing an ambitious program on behalf of independent and corporate patent owners. Their focus includes enhancing the productivity of acquiring intellectual property. INCA's independent inventors are well served to appreciate the on-going, growing VALUE that this focus has added. We need the technology and personal disciplines of knowledgeable examiners to get our ideas evaluated objectively, meeting legal criteria for the documented ideas to become commercial PROPERTY. George Washington, John Adams and Thomas Jefferson would have been proud of year 2000 performance, and of continued progress into 2001.

This inventor's notes about the 6th USPTO Independent Inventors' Conference:

Dr Price of Synectics Corp noted a giant difference between the efforts invested in preparing for a presentation vs the effort level in assessing and making use of the material presented. Our INCA newsletter invested one page in July to herald the kind of event [5th Annual Independent Inventors Conference] that had been so effective in 2000. Preparation for the 2001 event paid attention to the on-site feedback from 2000, and further enhanced input suitable for amateur through professional inventors and product-developers.

Richard Apley chaired the conference of Aug 3 and 4 '01:

He promised (and delivered) a CD copy of slide-content presented by 14 of the conference speakers.

Joanne Hayes-Rines, Founder of National Inventor's Month [AUGUST], recited important high-value inventions that ranged from disposable diapers through Hot Wheels to include Lasers. All were initiated by INDEPENDENT INVENTORS. Among her own creative efforts has been the growth the Inventors' Digest from an 8-page black & White newsletter to a full-feature, multi-color, bi-monthly magazine. The only one focused on Inventor Issues.

"Now is a wonderful time to be an inventor in the USA." "US Inventors are the envy of the World."

A copy of her magazine was included in the registration package. Page 54 lists the inventors groups of the United States.

See WWW.AAS-World.com Also subscribe to INVENTOR'S DIGEST, PO Box 70 Guffey Co 80820
WWW.INVENTORSDIGEST.com \$27/yr; \$18/yr from group subscriptions

Richard Levy, author of Inventors' Desk Companion, has recently completed "Complete Idiot's Guide ---- Patents." His earliest books were self-published. Then with their track record of sales and sales-growth rates, the bigger publishers sought out his written contributions, with front-end payments and the earned rewards for professionally recognized authors.

Other intellectual properties like patents and developed products led his interests into a volatile, professional, toy marketplace. He searches and selects toy systems that offer a "wow" factor for parents - as well as his ultimate child-customer. Even with his experience and trusted marketing contacts, he volunteers that only 1 of 4 winning ideas becomes a winning commercial success.

"Great Products" typically break some of the perceived but not necessary "rules!"

Above all, professional-level inventor and product developer "rule-breakers" must protect their integrity. Commercially-successful inventor-developers must be able to say to all business associates and customers,

"Have I ever led you wrong?" — and expect an honest "NO!"

LEVY - Continued

IMPORTANCE OF TEAMING

In today's market for commercialized inventions, even the most creative talent "won't do commercialization alone."
Co-development work commercialize an invention may require the most creative attitudes and behaviors.

Creative productivity is particularly dependent on building personal relationships having mutual trust:

- with decision-makers of your product's industry;
- with working partners in your product's development:
 - * technical specialists,
 - * industrial designers,
 - * prototype laboratories,
 - * production component makers,
 - * packaging and marketing specialists,
 - * Agents and Attorneys for patenting and licensing, &
 - * business finance and contract managers.

Inventors become candidate for scam artists when the inventor is not willing to invest sufficient time, energy, research and creativity in building relationships.

Dan Lauer, CEO of **Haystack Toys**, was a banker who converted his banking talents and habits to build the HAYSTACK toy company, and now actively solicits inventors for a flow of new toys for market by his company.

As an inventor of the highly successful "Waterbabies", Mr Lauer realized his banker disciplines were "levers" toward targeted accomplishment, even in toy development and marketing. He did banking kinds of things:

He "clocked in" for the time committed to each day's work on his invention and its development.

He built relationships with major players in his new field of business

He set aside a business income stream (\$1,000/mo) from which he paid start-up expenses such as

Trade association membership, to know about and meet members would be decision-makers about his product and his business ,

Letter writing and essential graphics,

Prototype development and market-feedback,

Promotion channels including newspaper and TV reporters &

Professional fees for agents, specialists and coaches having needed

Senior access to forecasters and decision-makers,

Track record of believability that offered a validation of his processes and product(s), &

Presentation skills.

As a risk-assessment business person he knew that he needed to hear those objections to his operations that he could fix.

He also knew that there were other people who knew important aspects of his new business that he did not know.

One market-test with "Waterbaby" was performed on a very cold day. His water-inflatable doll was filled with warm water placed on potential customer's chest - where it felt good.. Acceptance testing worked particularly well.

He had sent 700 letters without positive response, but he managed to sell 2.2 million Waterbabies in eight months.

Apparently, as a funding and investment person, he was able to present his start-up business as a growth profit-maker.

He decided to by-pass licensing. With support of risk-investors, he bet his full energies on building a profit-making company. .

HAYSTACK actively solicits inventors to compete their ideas and prototypes for a place in each year's toy market.

Haystacktoys.com/contact.asp Their contact is Haystack Toys, 8631 Delmar Boulevard, Suite 300
1-877-I-INVENT 1 877 446 9368 St Louis, Missouri 63124

Toy Hunt criteria includes:

Completely unique to the marketplace.

Safe, reliable and well made.

Multi-featured toys that inspire multiple play patterns

Stand alone concepts

Can be played with, over and over again.

Construction Items, furniture sets, bath toys, outdoor and indoor play items, dolls etc

Look to their website for their non-disclosure agreement and sample contract.

Our INCA website, <http://inca.hispeed.com> shows the **Toy & Game Industry show** on Sept 6-8at Bally's Hotel, Las Vegas, NV. 888/683 TGIF 888 683 8443 Talk to Carol Rehtmeyer

Mr. Maurice Swinton SBIR representative reviewed the current \$1.2 Billion federal budget setaside for Small Business Independent Research.

Inventions that are developed within these Federal grants become the property of the inventor with a right-of-use license by the Federal government.

A phase I feasibility report provides a grant of \$100,000 for work conducted in 6 months. Ave: 1award / 6 applicants. Winners of phase I awards compete for grants of up to \$750,000 over 2 years. Ave: 1 award / 2 applicants. Commercialization, phase III, for these projects is expected to be funded by private sector (or by military customer).

Mr Swinton noted that recently Dept of Energy had more grant money than proposals for grant funding.

Advice from internal advocate: Get to know the SBIR program manager in the Federal agency that might provide grant to your kind of project. A proposal can be offered to more than one agency and for more than one topic. Only one grant can be awarded to a business for one SBIR topic. www.win-sbir.com/schedule.html

Mr Scott Daugherty, North Carolina **Small Business Technical Development Counselor** WWW.SBTDC.ORG

Mr Daugherty illustrated the kind of professional-level commercialization business advice that is available, without charge, through state offices. His focus to his inventor audience was **“USA is the biggest market-place on earth!”**

He recommended that an initial search of a potentially commercial idea was two-fold:

1. Is the item or service currently the property of someone else?
2. Will it sell? Does it have a limited “window of opportunity?”

* If the product is a fad item, its window may be so narrow that the time required to acquire intellectual property (IP) extends beyond the time for market protection.

* If the product will not be subject to direct competition through IP protection, consider patenting.

He also outlined a quantitative analysis that will be needed for drawing working capital into a business.

1. What is the potential profitability?

How many customers can be drawn from their habitual patterns of buying to buy this new item?

How well does the new item meet customer's need?

For how many other customer-purchased items will this one substitute?

How will buying customers recognize benefits or superiority of this item over competitors?

2. What are the channels of distribution for this type product, and what are its pricing factors?

Mr Daugherty counseled inventors to look for professional assistance in hedging startup-risks.

Check with Attorney General, office of Consumer protection for background of people offering service.

Invest an hour of an attorney's time in analysis of any significant contract - before signing it.

For patent licensing, everything is negotiable; particularly when the initial draft has been offered by the potential licensee. Invest more than one hour in determining and resolving clarity in:

Performance measures

Milestones

Guaranteed performance standards

Conditions for termination due to failure to perform

Local small business development offices know that startups are tough experiences. They try to help avoid tunnel vision.

The website www.sbtcd.org offers a catalog of publications including a sample confidentiality agreement.

Angel investors, with up to \$250,000 per startup firm, are often known by the small business development offices.

Angels seldom want to exercise control; they just want a responsible return of 15 - 25%/yr and a clear exit strategy.

Venture Capitalists may expect 35 - 40% return, and bring much more operating capital to the firm. Their greater risk may drive them to greater detail oversight.

Some accountants and lawyers willingly defer all or most of their fees during startup in expectation of full-rate cash payment at a later increase in capital funding, at sale-of-business or at some other execution of exit strategy. They "Do DEALS".

MIKE MARKS is an invention **marketing person** who acknowledges his brother to be the family inventor. Mike directs his analytical and creative talents toward commercialization of his brothers and others high-value ideas.

He used the story of commercializing his brother's reverse-action, patented staple-gun to help inventor-developers see the market-appraisal preparation that inventors can do before they ever disclose their product ideas to anyone else.

He also used the staple-gun experience to demonstrate roles demanded of the inventor team before their product is recognized as a licensable asset. - Who trains the licensee employees in appropriate use of the product?

Who writes copy for the new product enthusiasts:

Wall Street Journal, Popular Science Magazine, Brookstone Catalog & etc.

Before launching a market program, the preparation should be sufficiently comprehensive so that the market-driven activities can be met with prepared material and with a basis for business judgments. Preparation includes:

1. Know your product. Why is it better than alternatives or substitutes? What are the measures of its benefits?
2. Know your customer. What does he (or she) particularly value in meeting the need your product offers?
What are his (or her) habits in responding to needs your product satisfies?
See focus-group survey information at www.inventioncity.com
What do surveys say about satisfaction from the value and benefits of your product?
Know more about the buyer's customers than the buyer does. Let him buy.
3. Know your competitor(s). What are they likely to publish regarding your product when it comes to market?
How much time will they let you be the only product (of this nature) on the shelf?
Visit trade shows. Read trade journals. Search patents assigned to competitors. Try www.google.com
4. Know your distribution channels. Research markup levels for steps between manufacturing and user.
Consider the use of TV commercials, news spots and infomercials as means to draw customers to local sale.

Read: (1) J Mark Davis, "Mind to Market" (2) David Ogilvy "Ogilvy on Advertising"