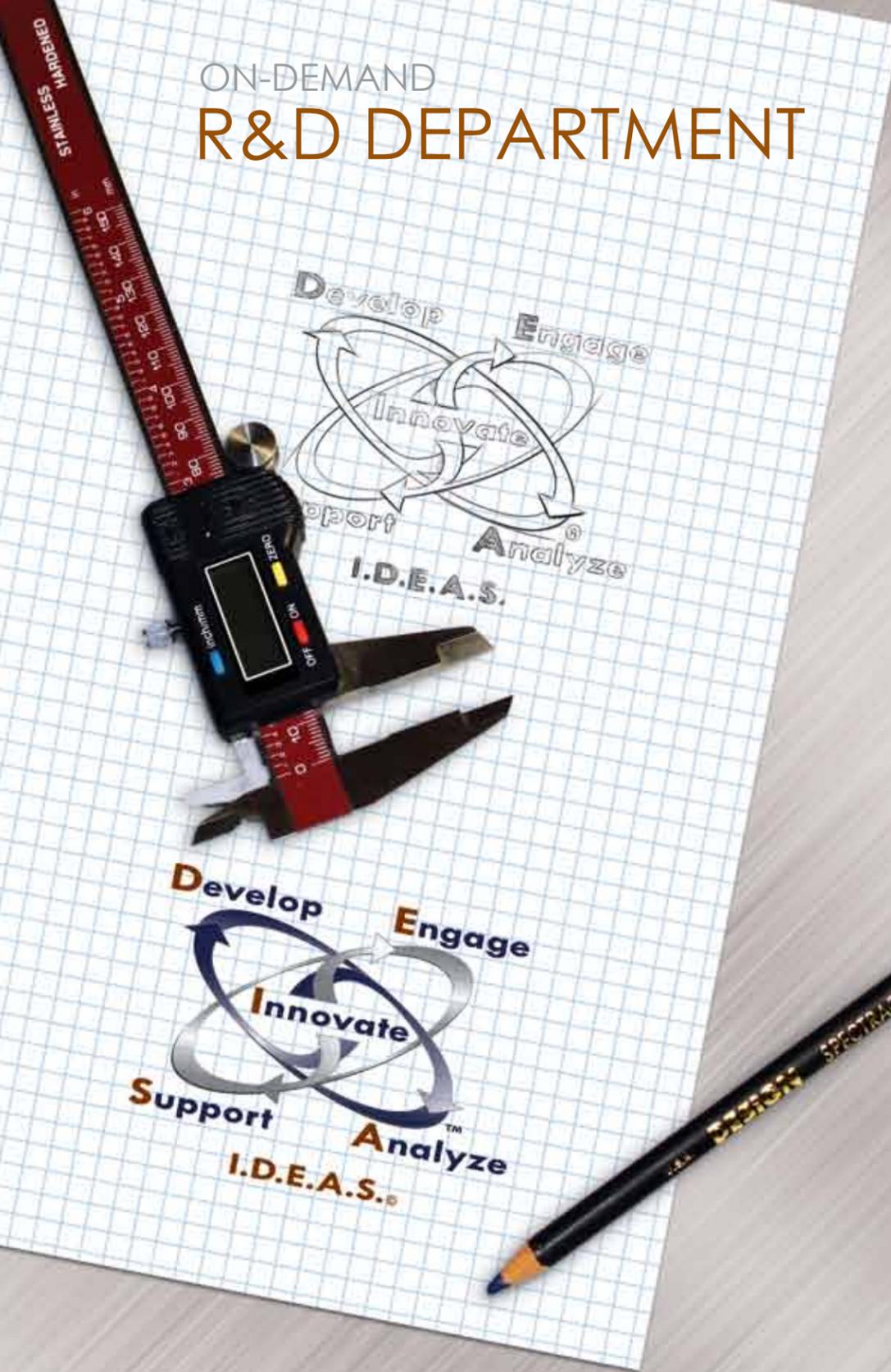


# ON-DEMAND R&D DEPARTMENT



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## License Your Technology or Sell it Yourself?

Your options in developing a technology aren't mutually exclusive.

**W**hether you're a startup or an established company, you have options when it comes to how you develop and commercialize your technology. Licensing your technology to another company can be a smart way to get your technology into the market and generate revenue. Selling your technology outright can also be a smart way to get your technology into the market and generate revenue. The key is to understand the risks and rewards of each option and choose the one that best fits your business and your goals.

**“License Your Technology or Sell it Yourself?”**  
Your options in developing a technology aren't mutually exclusive. Steve Pope

In KC Small Business, Steve discusses the risks and rewards of licensing vs. selling your technology - whether it is a device, product or machine.



# License Your Technology or Sell it Yourself?

Your options in developing a technology aren't mutually exclusive.

**W**hether you "license a technology" (a method, device, product or machine) or "sell it yourself" (manufacture, produce, market and distribute) is not an either/or scenario. It is not necessary to decide prior to venturing down the idea development path. What is imperative, however, is to fully understand the general process and the risks involved along the way. Where to start, what to do next and whether or not to take another step are generally the primary questions. But never is the dilemma a fork in the road - you take one sequential path.

## Attaining a Patent

Most products are not actually new ideas, they are modifications of an old idea; but modernized. Out of thousands of ideas each year, a limited number of new and novel patents are granted, resulting in even fewer commercially successful products.

Occasionally, a pioneering patent comes along that makes the process very worthwhile, as it did with people such as Edison, Bell, Wright, Ford, Gates and Jobs. When this happens, great success may follow with accelerated growth in industry, increased employment and economic growth. The generation and processing of thousands of ideas is well worth the time and effort to find new products and technologies. However, whether to remain focused on licensing or forge ahead and sell it yourself becomes a complex and challenging decision.

## Sell It or License It?

Selling it yourself requires more risk and time than licensing. If your new technology passes the following four criteria, then rewards may occur through licensing:

- 1. Heavily researched -**  
Use the top three Internet search engines
- 2. Validated as unique -**  
Conduct a patent search through a law firm
- 3. Evaluated as novel -**  
Obtain a non-biased third-party evaluation
- 4. Patent application filed -**  
Retain a U.S. patent attorney

Create a "sell sheet" to clearly convey the technology idea. Comb the streets and search the Internet to find a licensee, or hire a licensing agent for a fee or cut of the royalty received.

There are exceptions, but very few lucrative licensing deals occur when there is no working prototype and the technology is in the patent-pending stage.

Based upon current Patent Office statistics, any given patent application has less than a 50 percent chance of allowance and the patent application examination may take two to three years to complete. In the meantime, if your product has not yet been designed, engineered or prototyped, the "risks to rewards" ratio is often too unbalanced for a potential licensee to authorize resources to proceed with development; not to mention there is no compelling evidence of demand for your technology.

## Moving Forward

Do you then wait until the patent is granted, or do you proceed with development and more spending? This is your second major challenge and one of the most critical junctures. Listen to the research. If you have doubts, then do more research to validate the uniqueness of your idea.

There are many variables and this stage can be quite complex. Some people wait for the first U.S. Patent and Trademark Office action, while others forge ahead and attempt being first to market. In either case, use caution and realize spending might all be for naught if your patent application is rejected by the Patent Office, in which case you may have nothing of value to license. However, if your patent is allowed, and you succeed in licensing your technology, ask for payment up front and/or a royalty over a period of time.

## Risks and Rewards

While the vast majority of individuals license their technology, an estimated 5-10 percent sell it themselves. Both have the same end result: getting paid for the degree of work you have done and both are on one sequential path, each with specific steps, risks and go/no-go with the intent to ultimately license and/or sell the assets as the reward.

The ultimate goal with "sell it yourself" should always be to build your business to sell. The "sell it yourself" people must be risk takers, leaders, managers, multi-taskers and persistent. Simply, they must possess an entrepreneurial spirit. When the time is right, the entrepreneur must keep in mind the thought of ultimately licensing their technology and selling all assets, such as inventory, tooling, customer lists, Web site, domain name and trademarks; but in most cases, never sell your patent rights. (If the price is high enough however, assigning the patent rights may make perfect sense.)

Licensing early on does have the lowest risk; however, if you have the following four "P's" then you can more easily calculate the return on your investment with sales history, existing business and inventory.

- 1. Protection - Intellectual property**
- 2. Product - Warehoused goods**
- 3. Price - Cost of goods to price ratio**
- 4. Proof - Sales in the marketplace**

Along with a 2-8 percent royalty contract, you might just land a lucrative sale of your assets, which will be well worth your time and effort. Whether to follow the one path to "license a technology" or continue on with "sell it yourself", taking an idea to fruition can be a profitable accomplishment.

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R2FACT was founded in 2002 to design, engineer, prototype and manufacture new and unique products for customers throughout the United States.  
Steve Pope, Owner/CEO



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