

# Can You Make Money With Your Idea or Invention?

Canada Business Service Centres -CBSCs

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## Summary

Innovative ideas are essential to business progress. It is very difficult, however, for innovators to get the kind of financial and management support they need to realize their ideas.

This publication, aimed at idea people, inventors, and innovative owner-managers of small companies, describes the tests every idea must pass before it makes money.

## You've Got an Idea? Great!

So, you've had an idea for an invention or an innovative way of doing something that will boost productivity, put more people to work, and make lots of money for you and anyone who backs you? As you've probably heard, you're the kind of person your country needs to compete in world markets and maintain its standard of living. You're the cutting edge of the future.

You are another of those individuals on whom progress has always depended. We all know that it hasn't been huge corporations that have come up with the inventions that have revolutionized life. As the discoverer of penicillin, Sir Alexander Flemming, said, "It is the lone worker who makes the first advance in a subject: The details may be worked out by a team, but the prime idea is due to the enterprise, thought and perception of an individual." Innovators like you are the lifeblood of business.

Owner-managers who have started companies on new ideas know first hand about the innovation process. They also know that you can expect to hear.

## You've Got an Idea? So What?

In the first place, the chances that you are the first to come up with a particular innovation are somewhere between slim and none. Secondly, even if you have come up with the better mouse trap, nobody - but nobody - is going to beat a path to your door. In fact, in the course of trying to peddle your better mouse trap, you'll beat up plenty of shoe leather wearing paths to other people's doors. You'll stand a good chance of wearing out your patience and several dozen crying towels as well.

Why is it so hard to find backers for your brain children? One consultant put it: "Nobody wants unproven ideas. Nobody wants to be first. Everybody wants to be second." Why this fear of the new?

Well, new product failure rates are estimated conservatively to be between 50% and 80%. One survey of major companies with millions of dollars to spend on R & D, market research, and product advertising, and with well-established distribution systems found that of 58 internal proposals only 12 made it past initial screening. From these 12 only one successful new product emerged.

Another group set up to help innovators has found that of every 100 ideas submitted 85 have too many faults to bother with. They can be eliminated immediately. Of the remaining 15, maybe five will ever be produced. One of those might - only might - make money. With odds like 99 to 1 against an idea being a monetary success, is it any surprise that your idea is greeted with a chorus of yawns? People - companies, investors, what have you - are basically conservative with their money. Ideas are risky.

Does that mean you should forget about your idea? Of course not. It merely means that now you're beginning to see what Edison meant, when he said, "Genius is one percent inspiration and ninety-nine percent perspiration."

Again, those of you who own small firms started on innovations are well aware of the truth of Edison's words. You've been through the hard work.

### **Can You Exploit Your Idea?**

Although coming up with what you think is a sure-fire idea is the biggest step, it's still only the first one. You've got the other thousand miles of the journey to success still ahead of you.

Many things remain to be done before you can expect to realize the first dollar from your invention or other innovation. You should be prepared for the unhappy discovery that the end of the line for your idea may turn up well before the point you needed to reach to make money from it.

At a bare minimum, your idea will have to pass the following tests:

Is it original or has someone else already come up with it?

Can someone produce and distribute it if it's an invention or other product, or use it if it's a marketing innovation, a new use for an existing product, or the like?

Will it really make money? (Will someone buy it?)

Can you protect your idea?

That seems to be a modest enough list, and it is. The problems arise from the dozens of underlying questions that must be answered before the major questions can be resolved. Here, for example, are 33 areas that each idea may be submitted through to determine if it has commercial merit:

Legality, Development Status, Safety, Investment Costs, Environmental Impact, Trend of Demand, Societal Impact, Product Line Potential, Potential Market, Need, Product Life Cycle, Promotion, Usage Learning, Appearance, Product Visibility, Price, Service, Protection, Durability, Payback Period, New Competition, Profitability, Functional Feasibility, Product Interdependence, Production Feasibility, Research and Development, Stability of Demand, Potential Sales, Consumer/User Compatibility, Existing Competition, Marketing Research, Perceived Function, Distribution

Now that is not a modest list. However, for the moment let's ignore the 33 and look at the four broad questions.

## **Is Your Idea Original?**

Obviously, if somebody has already come up with and produced as good an item or a better one, it would be pointless for you to pursue a similar idea any further. You'd only be wasting your time and money.

There are lots of places to look to find out. If your idea is for a consumer product, check stores and catalogues. Check trade associations and trade publications in the field into which your invention or innovation fits. Visit trade shows relevant to your idea. Look in the business and popular press.

Don't be afraid to ask people in the field if they've ever heard of anything along the lines of your idea. In the pure idea stage it's not very likely that somebody will steal your idea - all the hard work still has to be done. Besides, you can ask general sorts of questions and keep the details of your idea to yourself if you're really anxious that your idea will be pirated. Patent rights to an idea in major foreign countries will be jeopardized by uncontrolled disclosure prior to filing a patent application in the United States.

Obviously, if what you've come up with is an invention or an idea that can be put into patentable form, you'll eventually have to make a patent search. You could do that in this early stage, but it's probably a better idea to hold off until you've taken a look at your idea in the light of the next two questions.

## **How Will the Invention Be Produced and Distributed?**

The first thought many innovators have is to take their ideas to a big national company. Provide the dazzling idea, they think, and let the giant work out the details. After all, the national company has the money, the production capability, and the marketing know-how to make this surefire profit maker go.

Unfortunately, the big companies are almost never interested in ideas from outsiders. Whether that's because the outside technology is "a risk, a threat," or simply because large corporations need potential sales of an item to be in the tens of millions of dollars, doesn't matter. The cold fact is that selling a big firm on your idea is in the 100 000 to 1 shot range.

On the other end of the scale, you may be able to produce some items yourself, working out of your home and selling by mail order. This method can be a good way to get started, but after a while you may find yourself getting tired of having 200 000 better mouse traps stashed in your bedroom.

To be sure, if you can start (or already have) your own company, you will be better off. It's easier to sell a company than a patent, even if the company is losing money.

Many potential buyers understand a company much better than they understand the technology of an invention. Business people usually look at the profit-and-loss possibilities differently from the way an innovator does.

Many of these business people follow what one innovator has called "the 'Anyhow' theory of economics": We have a plant anyhow. We have a sales force anyhow. We advertise anyhow. We're smarter anyhow. Such business people also know that by the time they purchase a company most of the bugs are out of

the technology and customers exist.

Between the extremes of starting your own company and having a big business buy you out, is taking your idea to small and medium-sized businesses. Many smaller firms are interested in producing quantities that do not interest larger companies. It is true that smaller firms may lack the marketing and distribution expertise characteristic of larger firms, however, at this point it is important that you use the smaller firms to get your foot in the door.

### **Will Your Idea Make Money?**

This is the question that worries everybody. Here is where the risk arises that makes it so difficult to interest people in backing your idea.

It's a question that's really impossible to answer with any assurance. After all, major corporations even with massive market studies hit clinkers all the time. Remember the Edsel? On the other hand, an idea so seemingly stupid that you'd think it was somebody's idea of a silly joke might make millions. Don't you wish you'd thought of the pet rock?

So many factors need to be considered to answer this question. Is there a market? Where is it? Is it concentrated or dispersed? Could the size of the market change suddenly? Will competition drive you out? These questions are by no means the bottom of the iceberg. Yet, answering the money question to the satisfaction of potential backers is the key to the other questions.

### **Can You Protect Your Idea?**

Once you've come up with tentatively satisfying answers to the originality, production and distribution, and saleability questions, it's time to consider protecting your idea. After all, it looks like you have something.

If you do have a patentable item, it's time to look into trying to protect it under the patent laws. Here briefly are the steps you'll need to follow:

Obtain a patent information booklet that is available through the Canadian Intellectual Property Office (CIPO). They can be contacted by looking up their phone number in the government listings in your telephone directory or log on to their Web site at

[http://strategis.ic.gc.ca/sc\\_mrksv/cipo/welcome/welcom-e.html](http://strategis.ic.gc.ca/sc_mrksv/cipo/welcome/welcom-e.html)

. In addition or as an alternative, contact your local library for publications that they may have on the subject.

Contact an organization to have what is referred to as a "State of the Art" search done. This is a type of patent search that does not have the depth nor does it go back as far in time as a proper patent search, but it can help to give you a starting point from which to proceed. If you are going to proceed with this, you will have to be prepared to provide enough description of the item and its intended use so that an accurate description can be communicated to the Canadian Intellectual Property Office of Industry Canada.

Contact a patent attorney or agent to discuss the intricacies of the patent process and the potential costs of this process. The patent office will accept an application for a patent only from the inventor or from a recognized patent attorney or agent. You will want to weigh the advantages and

disadvantages of attempting to put an application together yourself or using professional services that have experience in this field.

Having a patent won't mean you have absolute protection. In fact, one survey found that in over 70% of the infringement cases brought by patent holders to protect their patents, the patent itself was held invalid.

Defending your patent can be very expensive. If you don't have a patent, however, the probability of successfully protecting your invention approaches zero.

Mere ideas or suggestions can't be patented. Some of these you may be able to put in patentable form, but for those that you can't it's pretty much do-it-yourself. Consult with a patent attorney/agent or the Patent Office about the classes of patentable subject matter.

Say, for example, you think you have a great gimmick for selling more of Company A's products. Leaving aside the likelihood that Company A won't be interested, how do you approach Company A with your idea with any assurance they won't simply use it without paying you a cent?

About the best you can do is write them a letter telling them you have a promotional (or whatever) idea and, without giving them any details, offer to send it to them. Include in your letter a statement to be signed and returned by a Company A representative promising they won't divulge your idea or make use of it without compensation (to be negotiated between them and you), if they'd like to know the details of your plan. They'll probably say thanks but no thanks or that they can't promise any such things without seeing the idea, but it's the only course open to you.

### **Is There any Hope?**

Each section of this publication seems to be packed with bad news, but the publication wouldn't be doing you any favors by raising false hopes. The point is, you need to be more than an idea person to make money out of an invention or other innovation.

Many small businesses have been doomed from the start because of false hopes. Those of you who already operate going firms have avoided wishful thinking in other business areas. You need to avoid it where innovations is concerned, too.

What are potential idea and invention backers looking for? If you read around in the subject, you'll run across many comments to the effect that:

What we want is an entrepreneur, someone who cannot only invent a product but find capital and a way of getting the product on the market. It's better to have a fair new product and a great manager than the other way around.

Management is the most important element for success of an invention.

Edison wasn't only an inventing genius. He was also a promoting genius, a publicity genius, a capital-raising genius, a genius at seeing potential markets for inventions.

Have you ever heard of Joseph Swan? A strong case could be made for saying he invented the electric light eight months before Edison. Who got the patents? Who

got the bulb on the market? Edison. Who invented the electric light bulb? Edison.

Few of us are Edisons. We may have brilliant product ideas, but we aren't usually knowledgeable, let alone brilliant, in all of the areas that need to be covered. We need help.

### **Where Can You Go for Help?**

While you probably still have to invest considerable perspiration yourself, you can get help with some of the sweating. Even Edison had some help.

### **Patent Attorneys and Agents:**

Attorneys and agents can help you make patent searches and applications, if you can't do them yourself. You can find attorneys and agents by looking in the classified section of your telephone directory under "Patents."

### **Invention Promotion Firms:**

Also likely to be listed in the "Patents" section of the directory, are firms that offer - for a fee - to take on the whole job of protecting and promoting your idea. Caution is necessary in dealing with such promoters.

If you elect to use an invention promotion firm make sure:

They can provide you with solid evidence of their track record - not just a few flashy success stories, but verifiable statistics on the number of clients they've had and the number who have actually made money.

They don't collect the entire fee in advance.

They will provide you with samples of their promotional materials and lists of companies to whom they've sent it. (Then check with those companies yourself.)

You check the promotion firm's reputation with the local Better Business Bureau, Chamber of Commerce, a patent attorney, or a local inventors or innovators club.

### **Invention Brokers:**

Brokers work for a portion of the profits from an invention. They may help inventors raise capital and form companies to produce and market their inventions. They often provide sophisticated management advice. In general, you can expect these brokers to be interested in more complex technology with fairly large sales potential.

### **University Innovation/Invention/Entrepreneurial Centres:**

These centres, some funded by the National Research Council, show promise for helping inventors and innovators. The best known one, the University of Waterloo, for example, evaluates an idea for a very modest fee. The Centre evaluates an idea on 33 criteria (listed earlier in the publication) to help inventors weed out bad ideas so they won't waste further time and money on them.

The Centre also identifies trouble spots that require special attention in planning the development or commercialization of a potential new product. If an idea looks like it has merit and is commercially feasible, the Centre tries to link the innovator with established companies or refers him or her to sources of funds.

Small business branch of your provincial economic development office:  
The Small Business Branch can provide information about the market research, feasibility analysis, and business planning assistance necessary to make an innovation successful.

Small Business field offices can provide you with information about government programs. You may find other management assistance programs offered at the field offices to help in realizing your idea as well.

**Inventor's Clubs/Associations/Societies:**

You may have such clubs in your locality. You can share experiences with kindred spirits and get good advice, low cost evaluation, and other help.

Talking with other inventors is probably the most helpful thing you can do. Find someone who has been through the entire routing of patents, applied R&D, and stages of financing. It doesn't matter if the end result was a financial success or failure. Getting the nitty-gritty of the process is what's important.

**Are You Being Unreasonable about Your Chances?**

If you have read this publication and still think you can make money with your idea, some people might think you've missed the point. If you continue to believe in your idea after looking at the odds and obstacles, you are being unreasonable.

That's exactly what you should be. You're in good company.

All progress is made by unreasonable people, George Bernard Shaw observed. Reasonable people adapt to the world around them; unreasonable people try to change it.

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