
New Product Marketing

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Why Corporations Often Reject Independent Inventors

Have you ever wondered why some corporations welcome licensing agreements, while others act as if they don't? Why some Directors and Senior Management members go out the back door when an inventor walks in the front? Or have you ever been invited to a corporation, only to find that the person who is involved in the technology transfer division has suddenly been called away on a trip?

Well, if so, please don't take it personally. There are a variety of reasons, most even legitimate, as to why larger corporations are hesitant to involve themselves in outside technology. Please let me explain.

Subsidized R&D Departments

For one, many Corporate Research and Development Departments are federally-subsidized, often with matching funds contributed in the budget process by the Company's Board of Directors. This Board reports to the shareholders of stock in the company. How could they justify the existence of the Research and Development money (and the Federal aid) if just anyone could walk in off the street and provide a newer technology? Think about that as we continue our exploration of incentives for the Corporate Licensing Executives.

Corporate Hierarchies

Another reason not often thought of in transferring "intellectual property" is the fact that "huge" companies, like "huge" ships, take a long time to come around to a new course. It is always a given that good programs will have to advance through the hierarchy of management before they are funded -- even from within the corporate infrastructure.

Therefore the consensus is that most huge companies have the perception that they may be one day too late in bringing an outside inventor's device to market, because a much smaller company may have already designed around it -- changing directions like a row-boat instead of a cruise liner -- and beat them to the market first. From that point on, it is playing catch-up -- not something a large company likes very much or even deems necessary!

Outright Purchase

Another tactic I witnessed recently was a major leader in a global industry who had talked about licensing, but when I presented the Director with a Licensing Agreement, he wanted to buy the product outright! This would have forever stripped my inventor client of any royalties, and after consultation, we refused. The offer had not been significant enough.

The product is now undergoing a one-year test with this company, no license in-hand, and therefore no exclusivity. My client company will be selling to the largest company in this industry, at wholesale, acting as both manufacturer and packager. If the huge company doesn't wish to buy out for a more realistic figure after one year, so be it -- we can always license the product to another company (smaller).

One benefit will be that the larger company will have already used a year to set up lines of distribution, and retail outlets, that my client company can exploit as well. I would love to divulge the name of both companies, but can only do this when the Letter of Intent is replaced with a Purchase Order.

A Matter of Legality

Still another reason the corporate executive in charge of technology transfer might choose to overlook a new, commercially-viable product is a matter of legality. The company may have already developed a similar product, and is sitting on it until they feel the time is right to introduce it to the market.

By previewing your invention, they may actually render the dollars spent on the one hand as waste, or may be enjoined in a civil litigation for exposing their product after being presented with a similar product. This fear of litigation is very real, and if it should happen, the executive's job security goes "right out the window"! That makes it a bit more personal, wouldn't you think?

Plus, it costs quite heavily to defend an infringement suit, whether it is grounded or baseless. Bad publicity for the larger company is always a part of such an ordeal as well. This upsets the stockholders, and the other companies that are aligned with the larger company -- distributors, suppliers, wholesalers, etc. All of this because an inventor merely wanted to create a possibility to have this particular company consider producing and distributing his product.

Then Who Should You Target?

We live in a very rapidly changing world. Technology has tripled in several areas in the last decade. Transferring that technology around has become a very difficult thing to do -- and will continue to be difficult, as the "Information Age" really dawns on us all.

For those of you seeking to license, I would look first at the smaller companies that can react much more quickly to change than can the larger companies. You may not create the total distribution your innovation

deserves, but smaller companies don't have the hierarchies of larger companies, and as a rule are much more aggressive when they feel there is money to be made, or even an advantage to be gained.

Get Some Professional Representation

If you are not a good negotiator, get someone to represent you. Nothing will put off your potential Licensee more than an amateurish license agreement written by someone who may be a great inventor, but has no clue as to the often give-and-take that makes a licensing agreement a win-win proposition for both the parties involved. If you persist, and wear out your welcome, another day another inventor will reap the seeds that you sowed and his course will be diverted also.

I wish good luck and godspeed to all of you! I would be glad to answer any questions you may have concerning licensing and technology transfer.

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