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## Licensing To Large Companies

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1992 TEN article written by Dennis O'Connor, 313-792-4206, Director of New Products & Technology for the Masco Corporation. Masco is a major diversified multinational manufacturer headquartered in Michigan. It has over 200 operating locations and affiliates, collectively doing over \$5 billion annual sales. Major product areas include automotive, construction, and home furnishings. Masco has a long history of actively (and successfully) licensing in, and Dennis is the key contact for prospective licensors.

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You have invented a product you are sure has significant commercial potential. You have made a carefully reasoned decision, most likely based on financial considerations, that it is impractical for you directly to manufacture and market your invention, and thus are ready to seek a corporate partnership based on a licensing arrangement. The foregoing is the good news. The bad news is your accomplishments to date are the easy part of making money on your creativity.

A large body of opinion holds it is extremely difficult for the individual inventor to arouse serious interest in his invention by a company having sufficient assets to manufacture and market the invention on a license basis. While I cannot dispute such difficulty, promoting such a license agreement is by no means impossible, and effective action toward this goal is within the capabilities of the average person.

You first must identify those companies having marketing and distribution networks through which your invention can be sold. It is unlikely that a company not having such capabilities would take on a product requiring large expenditures before the product can be brought to its customer base. Even if you find a party willing to enter a license for a product in a field remote from their core business, you must ask the question as to whether this party has the capability to do a good job in product exploitation. Also, it is true some companies having businesses related to your product may be frightened by the prospect of your invention making their current product (and its manufacturing equipment and tooling) obsolete, but this should not deter you from approaching them.

The practical logistics of identifying licensee candidates are not difficult. [Thomas Register](#), available at most local libraries, is an important and easily used tool. This publication lists manufacturers by product categories. If there is difficulty in determining the proper product category, it may be possible to identify the manufacturer of a product currently on the market similar to yours. Thomas Register has a company name index that is cross-referenced to product categories whereby the other players in a product area can be identified.

While it may be helpful and advantageous to phone a candidate company to locate the proper organizational function to which your approach should be made, in my experience it almost always is best that such approach be made by letter. The advantage of preliminary phone contact is that an initial letter simply addressed to the president of a company, while usually finding the employee involved with new products, may get lost or permanently sidetracked as it bounces along or down the corporate organization. A phone inquiry to identify the person having responsibility for new products or evaluation of outside technology will avoid such problems.

Your written contact most likely will prompt a response indicating the company will not consider the merits of outside inventions unless you agree to a waiver of confidentiality. Corporations have a variety of reasons for such a policy -- and these reasons do not include seeking an opportunity to misappropriate your invention. However, as mentioned in detail below, an inventor should not blindly execute a waiver of confidentiality without understanding its effects.

Conventional waivers simply state that the person submitting an invention to the company does so on a non-confidential basis and agrees that any claims the inventor may have in the future based upon the disclosure be limited to those claims provided by the rights granted under patents or copyrights. The waiver should not grant the company any patent or copyright rights.

In considering whether to agree to a waiver of confidentiality, patent considerations unavoidably are important. In most cases, I believe strongly that an inventor is well-served by filing a patent application prior to contacting potential licensees. Having said this, I certainly admit that the nature of the invention or financial considerations may bring an inventor to the opposite conclusion.

In any event, if a patent application is on file there is no substantial reason not to agree to a waiver of confidential disclosure. If a patent application has not been filed, it is important to be aware that agreeing to and making a nonconfidential disclosure prevents obtaining valid patent protection in the countries of the European Economic Community.

A judgment on the importance of the potential European market thus is important at this time juncture. The legal effects of these issues, while not complex, fairly can be described as "tricky". Many inventors will testify that the advice of a patent attorney concerning them is highly desirable.

The actual disclosure of your invention need not fit any formal model. I have seen disclosures on the backs of envelopes that are comprehensive and perfectly satisfactory, while others on fancy stationary or including blueprints are simply puzzling. The important thing is to communicate what constitutes your advance in the art. It is helpful to an evaluator of your disclosure if the problem your invention solves or the advantages over previous solutions are detailed if these are not obvious.

By all means avoid excess hyperbole or puffing as these diminish creditability. A good invention will sell itself if properly explained.

If a working model is available for inspection, say so, but I would avoid forwarding such hardware at the time of your initial disclosure unless it is the only way to get across the nature of your invention.

There is nothing wrong with the shotgun approach to multiple potential partners simultaneously. Corporations are not put off and, in fact, expect that you will attempt to obtain maximum exposure for an idea in the shortest possible time.

How to react if interest is shown in your invention is beyond the scope of this article which is intended only to give some thoughts on optimizing your efforts to create such interest. One consideration, however, is so important it should be mentioned here: The company employee with whom you may be negotiating is experienced in such matters and most likely quite skilled at it. Unless you have a firm idea of exactly what you seek financially for rights to your invention and are convinced your goal both is reasonable and fair to you, you will benefit by having skilled counsel.

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