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# Inventors get an inside track

## To save time and money, companies are seeking outsiders' ideas

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Stan Gioia counted on royalties for his T-square invention that slices drywall in straight lines.

The former New York City firefighter turned inventor instead spent most of last year tallying rejection letters from the likes of Stanley Hand Tools and Sears, Roebuck and Co.

But with perseverance and help from a Charlotte product-design firm, the Sumter, S.C., resident is about to ink a licensing deal with Huntersville-based Irwin Industrial Tools.

After decades of keeping mom-and-pop inventors at bay, corporate America is accepting more outside ideas. In an era of increased foreign competition, cheap knockoffs and consumer brand disloyalty, assimilating outside ready-for-market inventions can slash product-development time and costs.

Irwin declined to disclose terms of the deal but said in an e-mail that it's "always looking for new and innovative patented product concepts."

While companies have quietly accepted outside ideas over the ages, it's only recently that they have issued open invitations to the masses to pitch them products. From John Fluevog Shoes' online solicitation to Dial's global scour for that next advance in soap, companies are hunting for the next big thing.

Yet odds remain stacked against freelance inventors such as Gioia. Even large companies that enlist mercenaries accept just a fraction of outside product pitches they receive.

"I figured I was going to have to have the cops here to stop guys from getting my invention," Gioia says of his early optimism.

Gioia followed the rules. He spent some two years and paid \$10,000 or so to secure a patent. Companies typically return pitches that don't have patents, which codify invention ownership and reduce potential for lawsuits. He identified a market -- contractors and do-

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it-yourselfers who want an easy way to cut drywall at crisp right angles.

It helped that Charlotte design firm Enventys and local television production outfit Bouncing Brain had selected Gioia's product to debut on a PBS series celebrating inventors to air this fall.

"A lot of inventors tend to have a little loss of reality," says Louis Foreman, chief executive of Enventys. "They seem to believe every idea is worth tens of millions of dollars. That turns off big companies."

Gioia has dialed back his expectations. "I'd like to pay off some student loans, and maybe I can get my truck painted."

Major companies have their sights set higher. They want outside ideas to help boost profits, generate growth and lift stock performance.

Kraft Foods Inc. recently kicked off an online initiative that welcomes product and packaging ideas from the public, reversing a tradition of relying mostly on its own research and development team. It's part of the company's "open innovation" campaign launched this year that seeks to sell unused product licensing rights and acquire others.

Kraft, which sells \$34 billion worth of products such as Oreo cookies, Ritz crackers and Planters nuts a year, has seen net income slip more than 24 percent the last two years. With open innovation, it hopes to cut new product-development cycles to one year, or about in half, saving millions of dollars in the process.

In the past, "We would have said, 'Thanks, but no thanks,' " to outside product pitches, says spokeswoman Annica Johansson. "Now, we're open to all ideas." Kraft has received 293 outside ideas since quietly unveiling its program though postal mailings in April, she added.

Meanwhile, Kraft is assuring thousands of research and development personnel that the company still needs them. "This is not about outsourcing, but leveraging the people we have," says Mary Kay Haben, Kraft's senior vice president of open innovation. She notes that Kraft is the nation's largest food company but owns about 2 percent of the world's food-related intellectual property rights. "If only 2 percent is ours, why wouldn't you look outside?" she said.

Nabil Nasr, director of the Center for Integrated Manufacturing Studies at New York's Rochester Institute of Technology, says companies that rely solely on external sources for innovation risk losing their competitive edge. "That could be very dangerous," he says.

Consumer products giant Procter & Gamble began to open its doors to more outsiders five years ago under CEO A.G. Lafley. His goal is to have half the company's innovation come from outside the company, up from less than 10 percent.

In one of the more memorable breaks from the not-invented-here ethos, Lafley in 2001 bought the SpinBrush concept from a group of Cleveland entrepreneurs. The \$5 battery-powered toothbrush accounted for about \$160 million in sales in 2005, outselling all toothbrushes. The company spun off the product to win regulatory approval to acquire Gillette last year.

More recently, the company bought the Magic Eraser, which cleans scuffs and crayon marks off walls, from an outfit in Japan.

P&G has purchased outside product ideas in the past. It bought the concept that became Ivory soap from a Cincinnati businessman some 150 years ago.

But the challenge these days is maintaining annual growth at 4 percent to 6 percent. To

do that, the \$56.7 billion company that makes everything from diapers to dog food has to add \$88 million in sales a week.

"That's the equivalent of creating a new Tide every week," said spokesman Jeff LeRoy. "That's very tough if your philosophy is it has to be invented here."

### Pitching a Product

- Get at least a provisional patent. It's cheaper than a full-blown utility patent and will vastly improve your odds that a company will at least look at your idea. Convert the provisional patent to a utility patent within a year, or you lose the right to patent your invention.
- Keep a detailed inventor's notebook chronicling your invention. U.S. patents are awarded on a first-to-invent basis, not first to file. Being able to prove you had the invention first could help you win a patent even if it was awarded to someone else.
- Show that your invention features market research, including price points and market size.
- Have a prototype if possible to show the product's advantages and why it's better than products currently on the market.
- Hire a patent lawyer. If a company wants to negotiate for your product, get a lawyer for that, too.

SOURCE: Enventys, Staples Inc.



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