

OBTAINING UNDEVELOPED PATENT INVENTIONS OF LARGER COMPANIES

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ABSTRACT

In this paper we explore certain of the services available to a smaller company, whereby the technologies of others have been or are being made available. It discusses, in some detail, the independent product searcher. The mental barriers to be overcome by both parties are examined, as are the reasons why this technology should be sought on a personal, imaginative level. The transfer of proven product concepts from one industry to another is mentioned and examples of such transfers are given.

There is a growing realization that there are a great number of unexploited inventions lying around dormant. There was recognition of this fact in a Message to Congress from President Nixon, entitled "The Importance of Our Investment in Science and Technology", printed in the Congressional Record of March 16, discussed by one of the other speakers this morning. This is not a new revelation, because articles and reports dating back many years have stated that less than thirty percent (some feel that even that figure is exaggerated) of all patented inventions ever find their way into the marketplace. People knew this, but they were never pressed into doing anything about it.

A few years ago, however, larger companies, feeling the economic pinch and searching for sources of revenue, "suddenly" discovered this un-tapped reservoir. There has evolved a new era of thinking. The Editor of MACHINE DESIGN has referred to it as "Cashing in on Surplus Technology". A nice title. But label it or call it what you may, it is the exploitation of once-rejected ideas. It occurs to me that I have never seen a title placed on it by a small company, nor have I ever seen a small company oriented title. Therein lies its deterrent as well as its attraction, and this is the concept that I would like to discuss with you today.

Picture in your mind someone sitting in an office of a major corporation saying "we need some money, let's find someone on whom we can pawn off some of this dead wood that we have never used." The other half of the picture takes place in a smaller office of a smaller company and we overhear the remark "all those big guys are trying to do is pawn off some of their dead wood on some sucker; if it's such a good product, why don't they do something with it themselves." Distorted? perhaps, but I would suggest that some of the players in our scenario are very real and that they do indeed view one another pretty much along those lines. To achieve meaningful results, these are the mental barriers which must be overcome. It is a two-way

street, and each side must be prepared to make mental concessions to the other.

Within the past few years, a number of articles have been written and speeches delivered on the subject of the manners and methods by which companies have made available to others their licensable products, patents, technology and know-how.^{1,2,3} Many editorials have been written in magazines and in the news media.^{4,5,6,7} I have read quite a few of them and, while they certainly bear consideration, you would benefit much more by reading them than by having me try to tell you what I think they say. That ground has been weel-plowed, so I would like today to devote more time to other areas.

It should be understood that I am not short-changing these companies or their programs, which are all excellent. I simply feel that they have been thoroughly discussed and recognized in recent literature in much better fashion than they could be treated here in the time that we have. I will, however, very briefly mention some of the corporations which have taken positive steps to market unexploited technology. These sources should be investigated by any company seeking new products and ideas. The program of General Electric is not the oldest, but it is one of the best known. In 1969, the Patent and Technology Marketing Operation was established to exploit GE's technology. As part of this program GE established a Business Opportunities Service (BOS), which publishes "New Business Opportunities", to which companies can subscribe and in which they can describe their own products and processes. They have quite a record and a number of success stories,⁸ all of which have been well covered in several publications, and the details of which will be furnished by GE on request.

Other companies aggressively marketing their technology are American Standard, with a publication entitled "Products & Patents", Bendix Corp., the Associated Products Division of the Boeing Company, Celanese Corp., Dart Industries, Inc., Itek Corp., Koppers Company, Inc., Mead Corp., The National Cash Register Co., with a publication entitled "New & Now", NAVAN, Inc., of North American Rockwell, Northrup Corp., Owens-Illinois, Inc., Phillips Petroleum and Standard Oil. To those whom I have slighted by failure to mention them, the omission was unintentional, and I offer my apologies.

There are a goodly number of private publications, all of which have been identified in various other publications, to which you can subscribe, which disseminate information about new products and business opportunities. Neither time nor space permit their inclusion here. This may, however, be an appropriate time to mention what I personally consider to be a very valuable publication entitled "Guide to Locating New Products",⁹ one of several by the same publisher, which profiles organizations that specialize in locating and developing new products. The organizations are categorized and grouped according to their primary activity; product search, international trade and licensing, patent marketing, patent and product development and specialized information services. Those companies that I have mentioned and those which I

will discuss later are all listed. It is my understanding that there is at least one additional bibliography of organizations under preparation and that it will be published soon.

We have overcome one of the greatest hurdles when we recognize that there are instances when we should look outside of the company for new products or growth opportunities. And I am not speaking of mergers and acquisitions, a tool which we generally attribute to the larger companies. It seems to be the consensus that it is less expensive to acquire products already developed by others than to develop them internally. I suppose that it depends on your viewpoint, and I am not sure that I am a subscriber, but, presuming its validity, the problem then becomes one of screening or of recognizing which of the products available is best suited to your requirements.

During the past five to seven years, upwards of fifty firms have been established, quite a substantial percentage of them being sole practitioners, which specialize in locating new products for corporate clients. There are several varieties of services rendered,¹⁰ but because of our topic this morning, I will not discuss those who accept a specific assignment from a client to develop products or to generate new product lines. I shall also refrain from a discussion of patent marketing companies because most of them deal with independent inventors and do not frequently deal with developed inventions. Some do, however, and this is a group which should be selectively investigated by the serious searcher.

The group that I am zeroing in on are the product search organizations. There are a number of reasons why I lean toward this group. They are imaginative and aggressive. Another of the reasons is the same reason that causes me to lean away from certain of the others, and that is that I have a tendency toward personal contact. I would hasten to add that some of the information exchange publications, product listings, clearing houses, or whatever you wish to call them, have been successful in getting individuals together, so I really am speaking of personal preference.

The product searchers, and for brevity let's call them scouts, appreciate and realize the depth of the problems of extracting inventions from larger corporations, because generally they come from the staffs of larger corporations, know the inner workings of them and have probably held responsible positions wherein they have dealt with new products, inventions, etc. In one way they are much like many of the founders of small companies, in that they are on their own now because they were frustrated by bigness and had the foresight to recognize that there exist great, un-tapped sources of products. In many instances, they have represented their corporations in dealing with individual inventors and with smaller companies, e.g., vendors and sub-contractors. They act as the agent for the buyer or licensee of technology, in our instance, the smaller company. They may be domestic or internationally oriented. They are quite flexible concerning monetary arrangements, usually operating on a retainer.

A prime factor in their favor is that they do not

have the inhibitions that are so frequently associated with corporate employment. And it is my personal opinion that the greatest barriers to overcome in the process of either selling or seeking products are those imposed by corporate structures. As broad as that statement may be, I would hasten to add that I am not necessarily excluding those corporations who have openly expressed a desire to disperse their technology, even though they are a major step ahead of that vast majority who are uncertain or hesitant for some reason of their own. It would seem to me much better to concentrate, not on the 100 of Fortune's 500 who have, but on the 400 who have not, joined GE's BOS program.

Let us focus our attention for a moment on the product or commodity the small company is going after and discuss why I think they should pursue it. The first admonition I would suggest is not to be hesitant and to have an open mind.

A larger corporation for several reasons has the capability of devoting greater sums of money to research, and can afford to fund, e.g., twenty new research projects each year. A smaller company, with more severe limitations on the funding of research, must devote a greater percentage of its available funds toward the improvement of an existing line and may as a result be able to experiment with a very few new projects.

Many of you are no doubt familiar with the annual, usually late in the third quarter or very early in the fourth, product planning meetings held in almost all corporations. The director of research makes a broad presentation and various members of his engineering staff give a short talk and display, perhaps demonstrate a prototype of, a product or product line.

We have reached the stage where the funding has to be on a more selective basis. There are now only X dollars available. The committee views the twenty products. They can continue funding only six of them. Something tells them which six they will fund.

This does not mean that the other fourteen are all bad. Indeed, if you talk to the director of engineering, or even to the line engineer, you may find that they disagree with the selection and feel that other products were technically superior to some of the chosen six. But there may be any number of personal reasons that the six were chosen, some quite peculiar to that company or to an individual on the committee.

Now, doesn't it make sense for the smaller company to devote some of its limited funds to the search for one of those products that the larger company could no longer fund? I would submit that this may be a fruitful area.

Logic works in our favor, but thus far logic has had only partial success in overcoming the mental barriers. Look at it from the point of the men who have been forced to select the six from the twenty. The odds against all six being successful are still fairly high. How would it look to the board, the stockholders, the employees, if even one of the six fails and even one of the fourteen rejected products sold to another turns out to be a tremendous success? This can partially be compensated for by the various types of agreements, but

they are not within the scope of this talk.

The counter view is reflected even in the words of those who attempt to encourage the intercourse. A recent article made reference to "cast-off technology" and an editorial commenced with the premise that the licensors would of course "keep the best ones for themselves", but that there may be something there for the smaller company anyway.

The person who seeks a product from another's warehouse should have sufficient imagination to overcome the mental barriers and to realize that there are valid reasons that the product has not been exploited. The seller should realize that the reasons he has placed the product on the shelf may be the same ones that make the product attractive and saleable to another. He must recognize, e.g., that a rejection on the basis that the product does not fit in with the broad product line is a good reason for selling it to a company into whose product line it does fit.

Creative people and inventive minds have the advantage of not being encumbered by corporate structures. Inhibited, perhaps, but not stifled. The fact that the creative mind is housed in a body which is financed by an employer who is in one particular industry does not imply that it will not generate ideas useful in another industry. For example, once you consider the fact that a great portion of the mechanism for early motion picture projection equipment derives from sewing machines, you can think of many other seemingly isolated technologies.

I am merely suggesting that it will take a good deal of imagination to arrive at the right product, and the seeker must be the imaginative one. It is he who must translate an idea and apply it to his own product line. You cannot expect a large corporation or the government to knock at your door and announce to you that he or it has a product tailored for you, which will double or triple your present sales.

Do not be misled into thinking that you are going to find exactly what you want lying on someone else's shelf. It will require modification and tailoring and the expenditure of additional time and monies.

Which leads us to a final thought and to another potential source of products. While you are looking at the unused technology of the larger corporations, look also to the technology of smaller ones, and look at some of the technology of either or both that has been used with success. An Exposition of this nature is an excellent place at which to exert a little imagination. You might also consider sending your most imaginative people to technical conferences and exhibits outside of your own particular industry.

It is my understanding that the same principle is involved in colic-preventing baby bottles, safer racing car fuel tanks and in missiles. They were applied, I am told, in the reverse of that order. This is an area in which I believe you can find great rewards, in the re-application in a different field of a product that has succeeded in another. It is, however, and unfortunately, the rare person who can cross product lines, and it does not seem to be a trait that can be learned or taught.

If you have that imaginative individual on board,

you are most fortunate. If not, I would suggest that the investigation into the services offered by product searchers may represent a very worthwhile and rewarding investment. In any event, I would submit that it is you who must go to the mountain, for the mountain will not come to you.

**About the speaker: William F. Pinsak is Patent Counsel for the American Motors Corporation.*

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³"One Company's Cast-Off Technology is Another Company's Opportunity" by Edward G. Fronko, *Innovation*, August, 1971.

⁴"Big Companies Start Offering Surplus Technology For Sale", *Product Engineering*, September 14, 1970.

⁵"Mining Latent Assets", *The Wall Street Journal*, September 25, 1970.

⁶"A Piece of Somebody Else's Action", *Industry Week*, March 22, 1971.

⁷"Cashing in on Surplus Technology" by Francis J. Lavoie, Senior Editor, *Machine Design*, June 10, 1971.

⁸"Methods & Techniques for Creating New Business" by Edward G. Fronko, *Les Nouvelles* (Newsletter of Licensing Executives Society), May, 1970.

⁹TTA Information Services Co. (an affiliate of Technology Transfer Associates, Inc.), 1971.

¹⁰"Licensing as a Positive Factor in New Venture Formation" by J. Daniel Stice, *Les Nouvelles*, May, 1970.

LETTER TO THE EDITOR

26th January, 1973

Dear Mrs. Heatwole,

I am enclosing a note of the first case in the United Kingdom in which Common Market law has been referred to following our accession to the Treaty of Rome.

I thought you might like to have advance notice of that aspect of this case which can be regarded, I think, as of general interest. There were other arguments advanced particularly in regard to the validity of the patent which are of greater interest domestically.

May I take this opportunity of saying again how much I appreciate the value of your Journal.

Yours sincerely,

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UNITED KINGDOM COURTS CONSIDER E.E.C. LAW AND THE DOCTRINE OF EXHAUSTION OF RIGHTS IN A PATENT INFRINGEMENT ACTION

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