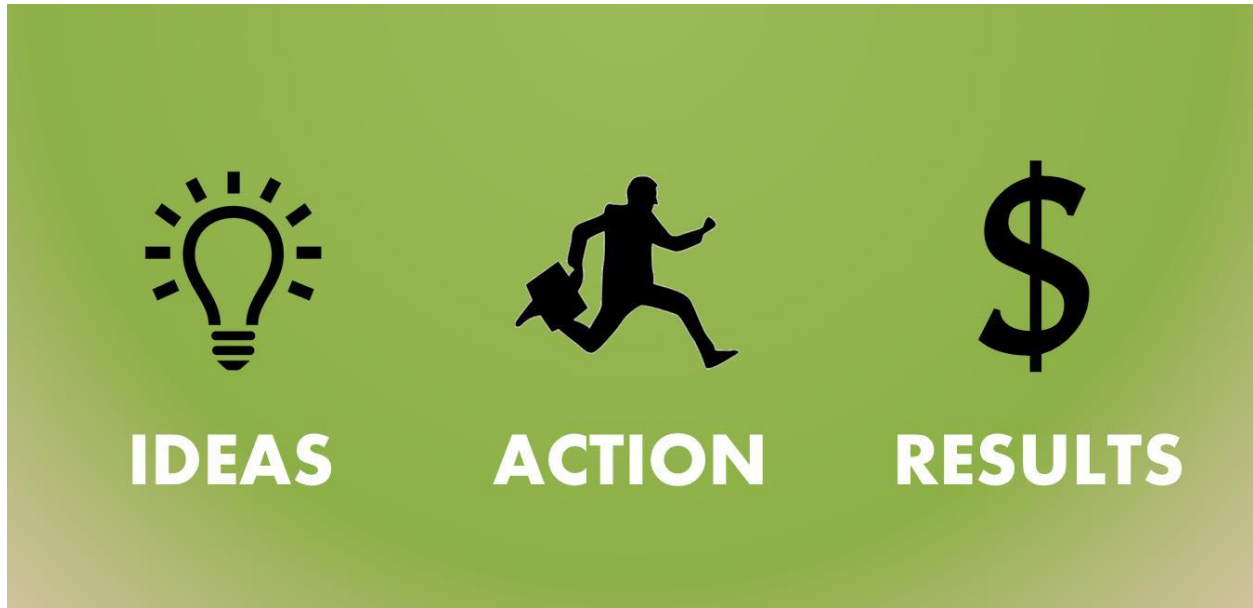


THE SIDE HUSTLE SHOW

with Nick Loper



Episode 173

How to Turn Your Ideas Into Recurring Revenue

(w/ Stephen Key)

<http://www.sidehustlenation.com/invent>

Stephen Key is the founder of [inventright.com](http://www.inventright.com), and the author of *One Simple Idea*. He has been creating products for more than 30 years and has taken a number of ideas to market with great success.

Why Is Now a Good Time to Get into Product Licensing?

There are very few barriers to entry to start product licensing as a side hustle, making it accessible to almost anyone. It doesn't require any capital to get started, and you don't need to set up a company.

Companies are always looking for creative people to come up with ideas. It's a win-win for you and the company if you get a product licensed. You get paid a royalty for each product they sell, and they handle all the logistics and marketing to make the product as successful as possible.

The basic three-step business model is as simple as this:

- Be the idea guy
- Sell your intellectual property to a company
- Receive royalties from sales

It's a lot faster to get a product to market going through an established company with all the procurement and production processes in place than doing it yourself. If you are the kind of person that comes up with ideas but don't know what the next step is, product licensing is one way forward.

How to Study the Marketplace and Find out How Unique Your Idea Is

Study the marketplace and see how many other products and ideas are similar to yours. Stephen says that you're not looking to reinvent the wheel, but you are looking to improve on what's already on the market and have a unique selling point.

The first search Stephen does is a simple Google image search using keywords related to your idea. Next, he does a prior art search, which means you're looking for any patents on your idea or similar ideas. The easiest way to do this is by using [Google Patents](#) and typing in your keywords to search for your idea.

Don't be surprised if you see ideas similar to yours; this is to be expected. If you find prior patents and drawings for an idea that's identical to yours, there is the option to contact the original inventor and see if they want to joint venture and bring the idea to market.

Essentially, you're looking for two key things:

- Your idea has not been brought to market
- The idea is unique and different to what's on the market

An Example of One of Stephen's Inventions

To illustrate this process with an example, Stephen shared an experience he had with one of his first ideas. Stephen had an idea for a rotating medicine label, to increase the amount of information that can be displayed on one label.

His invention was a label, with another label on top and a clear window that spins round to show more information that's underneath. He built a prototype and made some calls to find someone in Johnson & Johnson responsible for vetting new ideas and sent them the prototype.

The first thing the company representative asked was, "do you have a patent on this?" This is where Stephen learned a valuable lesson that he's helping you to avoid. Because after doing some searching as outlined above, he found that there was already a patent existing for an idea identical to his. In fact, it had been invented around 60 years earlier, and if that wasn't enough the invention had cost him \$30,000 to develop before he found this out. So a costly and painful lesson – always do some through searching to see if your invention already exists.

There is a silver-lining to this example however. Stephen was determined to stick with his idea and found a hole in the prior plans. There were no instructions or *methods of manufacturing* patented. Stephen worked out a way to manufacture the labels. Today he has 20 patents on the manufacturing technology and has sold hundreds of millions of the labels.

A lot of products do go to market without patents, so it's not essential. However, you risk seeing copies hitting the shelves if you don't protect your intellectual property with patents. The most important part is the idea, and being first with the idea and to take it to market. There will always be copycats. Seeing copies usually means you have sold a lot of product, so it's not the worst thing that will happen.

How to Sell Your Idea to a Company

If you're wondering what the steps are to take an idea and sell it to a company, Stephen took us through the process. We used a cup holder on a baby stroller for the example, and it's a lot easier than you may have thought.

First of all carry out some online searches as outlined above to reassure yourself your idea is unique enough to have appeal. Then hire a graphic designer on Fiverr or Upwork to create a "sell-sheet".

This is a one-page, 3D rendering advertisement of your product with your benefit statement and contact details on.

Look for "inventor-friendly" companies to contact, avoiding the larger companies is advisable. Some will have online forms to submit your ideas, others you will have to contact by email or phone call. You're looking to find out what their process is for submitting ideas, then sending in your sell-sheet.

You can use LinkedIn to find contact details for a company if you're struggling to find a way through. Stephen also recommends doing a little due-diligence on the company too, so search the company name to check for any negative feedback or lawsuits pending before submitting your idea. Don't be afraid to blast your idea out to several companies at a time either, this will only increase your chances of success.

How Much Can You Expect to Earn in Royalties?

5% royalties is pretty average. This might not sound like a huge cut from a product that you invented. But if you think about some larger chains that have thousands of stores and the fact that you don't have to invest any money into promoting or marketing the product, that 5% can add up pretty quick.

You can also protect yourself by setting a "minimum guarantee". This means that if the minimum amount of sales you agree to isn't met, you get your investment back. Most companies want an exclusive deal, so there is some basic math you can do to ensure your product is going to be a financial success based on your minimum guaranteed sales. Stephen gave the following equation:

$(\# \text{ of stores}) \times (\text{one sale per week}) \times (5\% \text{ royalty})$

If you take a company with 25,000 stores for example, that's 100,000 sales per month. It all depends on the retail price of course, but 5% on 100,000 per month sounds pretty good.

Understanding Patents and PPA's

You can protect your idea for only \$65 by filing a PPA (Provisional Patent Application). If you've seen "patent pending" notices on products, this is what they've done. It gives you one year to investigate the idea before filing the paperwork with the USPTO for the official patent, or extending your PPA.

Stephen's Idea Generating Process

Coming up with ideas can be a sticking point for some people. Stephen comes up with new ideas by playing the "what if?" game. This gives him the freedom to think differently and comes up with variations. Think of some games you play and what you could change. What if the color was different? What if we changed the shape? What if we changed the materials the products are made from?

Stephen found huge success by changing the shape and size of a small table basketball game he had in his office. It can be something as simple as that.

Stephen's #1 Tip for Side Hustle Nation:

"Stay young, stay curious, get a lot of exercise, and dance!"

More Info:

- <http://www.sidehustlenation.com/invent>
- <http://inventright.com>

Until next time!

-Nick