



SPI Podcast Session #126 - How to Get Paid for Your Ideas

Show notes: www.smartpassiveincome.com/session126

This is the Smart Passive Income podcast with Pat Flynn, session #126.

Announcer:

Welcome to the Smart Passive Income podcast, where it's all about working hard now, so you can sit back and reap the benefits later.

And now your host, who records himself singing just so he can harmonize with himself, Pat Flynn.

Pat Flynn: [Singing 'Hello'] and welcome to today's session of the Smart Passive Income podcast. Sorry, I just had to do that after that intro there.

This is going to be a great episode today, thank you so much for joining me. Super stoked because we're talking about a different side of passive income with our guest today, something I've never talked about and really never even thought about before but after conducting this interview with this person, my mind was pretty much going everywhere. I had a lot of gears turning and you might feel the same way. He makes it sound really easy and I'm sure it's a little bit hard, but also it's actually not as hard as I thought it would be after I started thinking about all this stuff.

So what am I talking about? This person has licensed over 30 different ideas, which all generate passive income for him. That's right, 30 different ideas. We always hear, especially in the online world, an idea isn't worth very much, it's the execution on that idea. However, that being said, I think this person would disagree with that. He's behind such inventions such as the Teddy Ruxpin. The Teddy Ruxpin, that was a toy I had when I was little. Laser Tag and something that's really cool that he's working on now called the Spin Label. He's licensed these ideas and he's getting paid for that. He walks us through exactly how to do that.

This is Stephen Key, who is a New York Times best seller of a book called *One Simple Idea*. You can find him at inventright.com. He's one of the co-founders of inventright.com. This is pretty awesome information that we're going to get here in terms of if you have an idea but you don't necessarily have the means to actually create this product or starting a company of your own, you can actually license your ideas and get paid royalties for those things. There's a whole bunch of things that are involved in doing that, certain forms and certain etiquettes involved. We get the whole deal here from Stephen. So without further ado, let's hear from Stephen Key, again from inventright.com.

Pat Flynn: Hey everybody, I'm joined with Stephen Key. Stephen, welcome to the Smart Passive Income podcast. It's an honor to have you here. Thank you so much.



Stephen Key: Thank you very much Pat.

Pat Flynn: Stephen, why don't you tell everybody out there, I mean you're an Inventor, you've invented a number of things. Maybe you can start by naming off some of the things that you've actually invented. I'm sure a lot of us know what they are.

Stephen Key: Well first of all, I don't consider myself an Inventor, that's a big title. I think I'm just a creative guy and it all started out, I left college a little early and I didn't really realize that I could get a job, so I just started creating things. Some of the ideas, one would be the Michael Jordan Wall Ball. That was basically an indoor basketball game, the backboard was cut out in the shape of Michael Jordan, it sold for 10 years. I collected royalties. That's one of them.

Just a lot of little things that have added up over the years, I think.

Pat Flynn: That's really cool, there's a lot of other things that I know I personally have a connection with, like the Teddy Ruxpin, which was a toy that I had when I was little, Laser Tag was pretty cool too and something called the Spin Label, which you've been working on lately and sounds really cool. It's incredible what you've been able to do here.

Stephen Key: Absolutely Pat. That really dates me too. That makes me feel really old! I was very fortunate to jump on a start-up, it was in Fremont, it was the late 80s, there was 20 of us at the time and we launched Teddy Ruxpin, we sold 5 million Teddy Ruxpins. We had a big hit with Laser Tag.

It was a team effort. I was involved in it. Basically I learned a lot.

Pat Flynn: That's really cool. Thank you so much for coming on again and inspiring us with all that you've done but I also want to get from you, what concrete steps can we take when we have that idea in our head, perhaps we're living our daily lives and we just wish something was more convenient or we have an idea for something but we don't know where to get started.

I talk about online business and building solutions for people who have pains, problems and issues and wants and needs online, but what about that physical product? My mind doesn't even know where to go in terms of where to start with providing a physical, tangible product solution for somebody who has a pain or problem out there. I mean, help us out here.

Stephen Key: It's not that complicated actually. Today, companies want ideas. The appetite for new ideas is tremendous and companies for the first time have really opened their doors saying "Hey, do you have an idea?" and what they're looking for is not an idea that we have to re-invent the wheel, they're looking for small improvements on existing products. The reason why, it doesn't require more education, it's probably going to be easy to manufacture and they already have a market for it. You don't have to be an inventor.

Everyone has an idea. Companies are looking for ideas, you just have to present it in the correct fashion, file a little bit of ownership, it's called Provisional Patent Application (PPA), you can file it for \$65 and you're in the game! That's how easy it is.



Pat Flynn: It all sounds a little too easy. When you think about it. If I have an idea, can I just go up to a company and be like "Hey guys, I have this idea, start paying me." How is this formally done?

Stephen Key: What's really nice about this, you don't have to fly out and have a meeting, make this big presentation, you don't have to do that. In fact, this is a great process for anybody who has an idea that wants to stay home. What you need to do is put together a one-page sell sheet. It's a one page advertising. It has a one line benefits statement at the top, one sentence at the very top, why do people care? Show a problem, show your solution, that's your idea. Add a few benefits on it and your contact information. It's the most important tool to license ideas to companies. It's that sell sheet and it's not difficult to do.

Pat Flynn: Wow, so you could essentially license your idea, you don't even need a prototype or anything like that? You just give them the idea?

Stephen Key: The old way, people would build prototypes and they would polish them up and perfect them over the years. They would go out and file a patent, which is very expensive and then they would reach out to the marketplace and say "Hey, does anybody really want this or like this? Is it a marketable idea?"

I do it completely different. I put together a sell sheet. First of all. Let's back up.

If I see an opportunity, I will come up with a variation on somebody's existing product, I will have a sell sheet done and I can have a sell sheet done on [Eance](#) or [Fiverr](#) for probably under \$50. 3D, computer generated, looks like the real deal for under \$50. I get that done up, I prepare that, I reach out to a company, I tell them I'm a Product Developer - not an inventor, because that really gives them a weird idea of - basically you probably are kind of weird, but besides that.

You call them up, you say "Hey look, I'm a Product Developer, I'd like to submit an idea to your company, who do I need to speak to?" You get that email or that telephone number and you send them your sell sheet. Let your sell sheet sell for you. That's how it works. If they like it, they're going to call you back, it's as simple as that.

Pat Flynn: What are some tips you have for us in terms of our sell sheet? How do we make it a great sell sheet? You talked about the benefit statement, how do we make a great benefit statement?

Stephen Key: The one-line benefit statement is critical. You'll see this one-line benefit statement in advertising, on billboards. You'll see it even in the subject line of emails. It grabs your attention, that's what it does!

It's like, "Hey, why do I care?" I have a product that's licensed for 15 years, I collect royalties from it. It's a rotating label, it's called a Spin Label. The biggest benefit is that it allows consumers to interact with the package. I call it 'adds 75% more space to your package and that space can be used for a lot of different things'. Find that gut emotional benefit to the consumer and condense it to one sentence. It's the most critical thing you can do.



Pat Flynn: So is the benefit statement for the end consumer or is it for those who we are actually pitching this product idea to?

Stephen Key: Great question. It's always to their end consumer. They know who their consumers are. They know potentially what they're going to like. They know the holes they probably have in their product line.

When you pitch it to them, like they would pitch it to their consumer, they get it right away.

We're all consumers, we all know what we like and what we don't like. So that's the way to pitch it.

Pat Flynn: OK, awesome. I watch a little bit of television and sometimes I see these commercials for companies who are like "Hey, if you have an idea that you want to get invented, go with us" and they send you a bunch of stuff. Is that a legit way to get started? This sounds completely different.

Stephen Key: It's absolutely completely different. I believe you need to empower yourself. I believe that you can do this yourself. I have for over 30 years. I teach students all around the world that you reach out to a company with a good idea, a good sell sheet, show them a good idea, find a hole, find the sleeping dinosaur, find something they missed and they'll respond back to you. Build that relationship yourself.

There are companies out there that want to do everything for you. I've learned from experience, Pat you probably know this too, sometimes if it looks too good to be true, what is it?

Pat Flynn: Too good to be true.

Stephen Key: If it sounds too great, avoid it. Do this. I tell everybody, it's really simple. Whoever you're going to work with, type in their name into Google and type in complaints. If you're doing something that's not correct, people are going to be talking about it. Kick the tires on whoever you're going to work with. I believe that with anything in life, you're going to have to do it yourself.

Pat Flynn: I agree with that and thank you for that, Stephen. Going back to the sell sheet, let's imagine that you have a product idea. Do you put all your effort for that one idea in or do you create a bunch of ideas and throw them against the wall and see what sticks?

Stephen Key: That's actually a wonderful question too. As with anything in life, the more you do it, the better you're going to be at it. If you want to hit a home run, you've got to pick up the bat. I'm telling everybody, if you've got a great idea, get in the game! It's not that difficult. You don't have to file patents or build prototypes. It's a very simple way to show a company a potential way for them to make more money, that's the bottom line.

Companies want ideas, they don't care so much about protection. Everybody thinks you have to have a patent, that's not necessarily true. The bottom line is this, you need to take some action. It's always going to be a numbers game in anything you do. Increase your chances of success



by doing this:

1. Come up with a lot of ideas.
2. Reach out to a lot of companies!

Stay in an industry for a while. And the reason why you want to stay in one industry for a while is because you'll get to know all the players, you'll build relationships and before you know it, they're going to be telling you what they're looking for. There you go. It's always a numbers game.

Pat Flynn: I think a lot of people listening to this are concerned about the idea of not filing a patent or not protecting their idea. What's not to stop a company that you pitch a product to from saying "Wow, that's great idea, let's just go with it. Screw that guy, let's just run with it and consider it our own idea"?

Stephen Key: Let's kick the fear to the curb now.

1. When you file a provisional patent application (a PPA), you could put 'Patent Pending' on your product. Perfect. That notifies them that you've gone ahead and you've filed some [USPTO](#) (one of the tools to protect your idea). That carries a lot of weight. That carries a message.
2. Always do your homework on the company you're submitting it to. Type in their name, type in 'complaints', see how they treat outside product developers.
3. Always re-cap your conversations with next steps in an email so you have a paper trail.

Imagine this. Because you have a Provisional Patent Application, they don't know if it's going to issue or not. It's kind of a grey area. There are no absolutes. Right away they have to deal with you legally if they do something that's not exactly correct in the future, which they don't want.

They need us. They're looking for ideas because of open innovation. More companies are looking outside their walls for the first time. The biggest thing is social media, right? It used to be where you tell your neighbor. Now you can tell the world if someone has treated you incorrectly.

Here's the big catch here. Can you imagine being in the company and some little idea comes to you and you just love it. Someone in the group says "How are you going to rip this guy off?" That doesn't play well, right? There you go. Forget the fear, it's all in your mind. I've been doing it for 30 years and I have been to federal court. I had to take a company to federal court, a little toy company called Legos and I had to stick up for my rights. The system works. That's what I'm here to tell you. It's easy to do. Don't be fearful.

Pat Flynn: Speaking of fear, I'm imagining a number of listeners out there who are getting excited about this idea, the idea that they can license their product ideas. Then, that resistance starts to come into play, that fear, that all that work and those ideas are just going to be shot down or it's not going to work. How do you address that?



Stephen Key: Well, no one has a crystal ball on what's a good idea. Don't worry about it, don't over think it. Everybody does. Forget that. Do this; do a Google product search. Simple. First of all, see if someone has come up with your idea already. There's a good chance you're going to find it. Maybe you do, maybe you don't. But you want to know upfront if someone else has come up with something similar.

I can guarantee you one thing. You're going to find similar ideas, that's perfectly fine. But do they have your idea? Does your idea have the benefit that's stronger than the current products on the market today?

You can go to Google Patents. Type in a couple of different words that describes your idea. See if someone has filed a patent on it before. It's called Prior Art.

Do your homework upfront. That first step I call Study the Marketplace. Make sure your idea is marketable. There you go, there's the catch. Then start moving forward with maybe a sell sheet, maybe a Provisional Patent Application. Then start reaching out to companies.

You know what I tell everybody? If you want to get excited about this, if you have an idea and you think a particular company could be interested, we'll talk about how to find those companies in just a minute, call them up. Tell them you're a Product Developer. Ask them the process and what you need to do. When they say "Hey, we want to see your idea, tell me", that will light a fire under your rear end really quick.

Pat Flynn: Yeah sure. Stephen, tell me, what if you do your market research and you find a product that's very similar to yours? It might even be just exactly the same. Where is the line drawn between if it's unique enough where you're not going to get in trouble for it if you were to actually move forward with it?

Stephen Key: Just believe in yourself. Trust your gut that you're a consumer too. Look at that idea. You're always going to find similar ideas. If you don't find a similar idea, you better walk away from your idea right away because there's probably no market for it. Find something similar but compare yours. What benefits do you have that are greater than what's on the store shelf?

In fact, I think the best way to create is to create for the market. Go down to the stores, look at the products that already exist, make a small improvement. Just make it enough to go "Hey, this is a little bit better, this is a little bit easier, this might even be a little bit cheaper and it does the same thing". It's the small things that the companies are looking for. You don't have to re-invent the wheel.

Pat Flynn: So where do we find these companies to give our sell sheets to? Where do we start?

Stephen Key: This is so much fun. It's really easy. Go down to the store that you want your idea to be in. So let's say that I've got this idea that's a new hammer and because of the cushion of the handle or whatever, I can hit nails straight every time or maybe I can work all day long, who cares what it is. Go down to all the retail environments that are selling hammers. It could be Wall Mart, it could be Home Depot. Look at the world of hammers. That's what you need to do. Find that shelf space that your idea is going to be on. Draw this big circle and all



those other companies that are next to yours and those are the companies that you're going to call. It's that simple.

Pat Flynn: Oh. So go to the store, see the other companies that are serving that market and find those people.

Stephen Key: Absolutely. Because what you're going to show them is a slight improvement. You're going to show them because they have the shelf space already, perfect. What we're talking about is licensing. You come up with an idea, you're going to rent it or license it to a company, they're going to pay you a royalty for every one they sell. It's a perfect business model for these guys because they don't have to pay you at the very beginning but they pay you on the back end.

What I do is look at their whole product line and I try to find problems. I try to find something they've missed. You'd be surprised at how much these big companies miss, all the time. Because they're putting out fires, they're doing all this other stuff, some of the most simple things, they overlook.

That's when I feed that idea back to them. They already have the shelf space, they have the manufacturing, they have the distribution, they have the advertising. They are the perfect partner. It's called Speed to Market Today. Why start a company when you can find a perfect partner that can get your idea so fast on the shelf? That's Speed to Market.

Pat Flynn: Speed to Market, Speed to Market. Got it! Thank you!

Now, I have this great idea for a hammer, I'm at the store, I go in and I see four different companies. There's four different companies making hammers that I could go to. Do I go to all of them? Is there a way to have them have a bidding war for my idea? How does that work? Which one do I reach out to?

Stephen Key: I would love for someone to do a bidding war!

Pat Flynn: Too good to be true, right?

Stephen Key: Those are the stories you hear in Hollywood, right? It's never happened to me. You want to call them all. There's such a thing as an easy idea vs a hard idea. When you only find four players in one particular category, that's going to be a little bit difficult, right? Most ideas will have 10 or 20 people participating, so you have small players, middle sized and you have large players.

Realize this, the larger the player you're reaching out to, they don't need you. I hate to say that but they don't. It's the smaller guy that does. My strategy is 'I'm going to call them all but I'm going to realize the bigger guy already has the market share, he's feeling pretty good. He's only going to need me if the little guys bite into his business'. So I go to the mid-sized guy. But I do call them all just because one day I might get lucky and get the real big guy, so I call them all.

Pat Flynn: That's really cool. Stephen, do you have any case studies or success stories of someone doing this exact strategy and what came out of it?



Stephen Key: I had one idea, my Spin Label's probably made over \$10million for me and it still does. This is an idea that someone else invented, I didn't even invent it. Someone else did. People always wonder, how do you collect royalties on something you didn't invent? Well, someone invented it 50 years ago but didn't know how to manufacture it, so all my patents - and there's probably close to 17 patents on that - are all how to manufacture it.

There's always different ways. It's never black and white. So that's one I did. My Michael Jordan wall ball probably made \$100,000 in the first year and sold for 10 years. There's tons of stuff I had. The stuff that you have to watch out for is this, some industries are tougher than others. The packaging industry, which my labels is in is a very tough industry, you have to understand manufacturing. I wouldn't recommend that to anybody starting out.

Toys, novelty, pet, household, DIY, hardware - those are great industries! Those industries are on fire, they're growing because people are staying home, they're doing more things themselves, they're eating at home. Jump into those industries, they want you, they need you, they love you.

Pat Flynn: Awesome. Can you talk a little bit about how licensing works? Say I go to a company and they are interested in my idea. At that point, do I have to hire an attorney to make things official? From there, maybe let's just start with that question.

Stephen Key: That's a good question. I try to keep attorneys out of it as long as I can. You're going to need them soon enough, but that's not my strategy. I reach out to a company, and just realize that the minute you reach out to a company, negotiations are starting. You don't know it but it really is. You're reaching out to them, you've filed the Perceived Ownership with the PPA, you've got your sell sheet, you've found your benefit, you've sent it to them and you get this call back. It always surprises people but you get the call back and they say they're interested. It all starts right there.

Ask them a little bit about themselves, try to figure out how many stores they're in. You can go online, you could ask them but the bottom line is you're going to start from the term sheet, the big picture term sheet.

Do they want an exclusive? I love that when they say yes. Maybe the royalty rate - standard is maybe 3%-5%. Anything more than that is kind of difficult to get. You might ask them about minimum guarantees. Minimum guarantees is the most important part of a contract, meaning if I'm going to give you an exclusive, you're going to have to pay me minimum guarantees. A minimum amount of money each year to keep that exclusivity.

So you're talking about 3 or 4 big term, big, big picture items in the sell sheet and once you agree to that, then you go to a contract. I usually have them write it. They want to write, it's very expensive and trust me, it is the ugliest document you've ever seen. That's when I start working, it's line by line, taking your time, don't get in a hurry. Eventually I'll bring in a licensing attorney that deals with contracts, especially licensing type of contracts.

Then we close up with certain language. It takes about 30 days to cut a deal. The thing that's really nice about it is your royalty rate is going to be between 3%-5%. Your minimum guarantee is your best tool because if for some reason they stop selling it, you get it back.



Sometimes what I'll do, I'll ask for some money upfront and I'll ask them. That's call top loading a deal. No one likes that. I'll ask them and instead of them giving me a licensing fee, could you help pay for the patents? So then I get them to pay for all the intellectual property, the patents. I still file them, I still have my attorneys, but they pay for it.

At the end of the day, they're paying for your protection, because it serves them well, because if they have the exclusive, they benefit from it.

If for some reason it comes back to you, you get it back. They paid for your patents, you're ready to license it to somebody else. I've done that multiple times.

Pat Flynn: Awesome. We've talked through this fairly quickly and I think we're near the end of the process here but are we missing everything or is it all covered in your book for example?

Stephen Key: I have a couple of books out. One of them is called [One Simple Idea](#) from McGraw Hill. It's a yellow book. It's about licensing. It's been in the top 10 in Amazon for over 3 years and it's been translated into 5 different languages. One of my early students was Tim Ferris. He said some nice things about my in his *Four Hour Work Week*, that's how they usually find me. The second book is a red book, it's called [One Simple Idea for Start-Ups and Entrepreneurs](#). How to take simple ideas, test them and bring them to market. I've done that as well as licensing, but I've done venturing as well. I'm working on a 3rd and 4th book now.

I'm easy to find. My message to everybody, everybody has an idea. Don't sit on the couch and later say to your wife or your spouse "Hey, I had that idea" because I will guarantee if you have an idea, sooner or later you're going to see it on the marketplace and you're going to kick yourself for not doing anything about it.

Pat Flynn: Yeah, I can't even tell you how many times I've heard myself say that before or a lot of other people around me too.

You have to take action on it.

Stephen Key: You have to move. It's not hard to do. You can do everything for under \$200. Come on you guys, there's no business that can return this high a revenue for under \$200 guaranteed.

Pat Flynn: Stephen, thank you so much for coming on today and spending some time with us and sharing your experience and the tips and the strategies behind this interesting and different kind of generating passive income that we've never talked about on the show before. I think a lot of people are going to be pretty excited after listening to this but of course there is work involved but like you said, it might not be as hard as you think as long as you take action.

Of course, definitely check out Stephen's book, [One Simple Idea](#).

So Stephen, if anybody wants to contact you or see more of what you're up to, where should they go?

Stephen Key: Very simple, go to inventright.com. You don't want to invent wrong, you want to inventright.com, you can find me there. You can always Google my name, Stephen Key - it's



easy to find me.

Pat Flynn: You rock. Thank you so much Stephen, take care and we'll talk soon

Stephen Key: Thank you Pat.

Pat Flynn: Alright, I hope you enjoyed that episode with Stephen Key from inventright.com, not invent wrong, but invent right - I really like how he threw that in there, it's hard to forget after you hear something like that.

Anyway, all the show notes, the links and the resources mentioned in this particular episode can be found at smartpassiveincome.com/session126.

Again, very great and interesting and a different conversation. I'm interested to hear what you think so if you have any comments and thoughts about this, perhaps you've done this before and want to offer some advice and some of your experience to the SPI audience, head on over to the show notes and leave some comments there. Again, that's smartpassiveincome.com/session126.

Of course, I want to thank today's sponsor, which is 99designs.com, an awesome company that allows you to get any sort of design needs done for you and in an interesting and different way where instead of trying to find somebody to work with one on one, which can take time and also be rather expensive, especially if you're trying to get the higher-end type designers, you can get stuff like logos or website design or even stuff for your T-shirt or perhaps the sales sheet page for your particular product that you're thinking of doing, you can have that done on 99designs.com. What happens is a lot of different designers start to work on your project and you get to pick the one that you like best. You can work with those designers along the way.

I've used this company myself several times in the past to great success and there's always creative things coming out of it. You can even have your friends and family vote on different designs too, so you can pick the one that matters and is best for your particular design needs.

Again, you can check it out at 99designs.com/spi. If you go through that link, 99designs.com/spi you get a \$99 power pack of services for free today.

Awesome. Thank you again so much for your time today. If you have any questions you'd like potentially answered live on the air waves here, you can go to askpat.com, which is my other show where 5 days a week I answer questions from the audience and that person also gets a free T-shirt from me, a free Ask Pat T-shirt.

You can check out all the previous questions and even submit your question at askpat.com.

Thank you so much for your half-hour today. I appreciate you so much. Have a rocking day, I'll see you in the next episode.

Cheers.

Announcer:



Thanks for listening to the Smart Passive Income podcast at www.smartpassiveincome.com