

Behind the Headlines

Headlines have been saturated with words like global crisis, bailout, panic selling and financial meltdown. Recently, one major newspaper featured a column titled The End of Capitalism? Is the free market system in jeopardy? Or are we experiencing a period of correction that will barely be a bump on the paved road of prosperity??

There is no doubt that our current economic problems are serious but in order to get a sense of where we're at let's compare today's problems with other periods of economic turbulence. In late 1980 we experienced the "misery index" when inflation was at 13%, interest rates were at 20% and unemployment was sky rocketing. Currently we are not experiencing this kind of trauma. What is interesting is how fast the country recovered from this economic malaise once congress passed sweeping tax deductions.

- Fact. Since 1982 we have had only 16 months of recession.

What about the recent increase in gasoline and food prices?

- Fact. The average worker has to work about two hours to earn enough to purchase 10 gallons. In 1935, it was six hours and in 1950, over two hours.
- Fact. A basket of groceries that took four hours of work in 1950 to purchase now takes 1.7 hours.

With advances in medicine and medical technology we're receiving much better health care. The increase in quality explains part of the higher health care costs. Many experts feel that health care costs would be dramatically reduced if there were more competition and less government intervention and third-party payers. Lasik surgery, a medical procedure that usually is not covered by insurance, has steadily fallen in price over the past decade.

What about the stock market? Toward the end of the third quarter (2008) it lost 40% of its value. Previously we mentioned that in the early 1980s the U.S. economy had huge problems. Many people panicked and put their money in Treasury bills or bought gold in search of a safe haven. A \$10,000 initial investment in gold would now be worth \$22,525; the same amount in T-Bills would be worth \$37,778. What about investors that bet on U.S. economic progress by investing in the Dow stocks? Their initial \$10,000 would now be worth more than \$288,000—even after the stock market crash of 1987 and including today's problems.

- Fact. In the long run the stock market steadily increases in value.

The health of the U.S. economy depends heavily upon the vitality of our industrial and manufacturing base. Let us then take a critical look at the status of American industry.

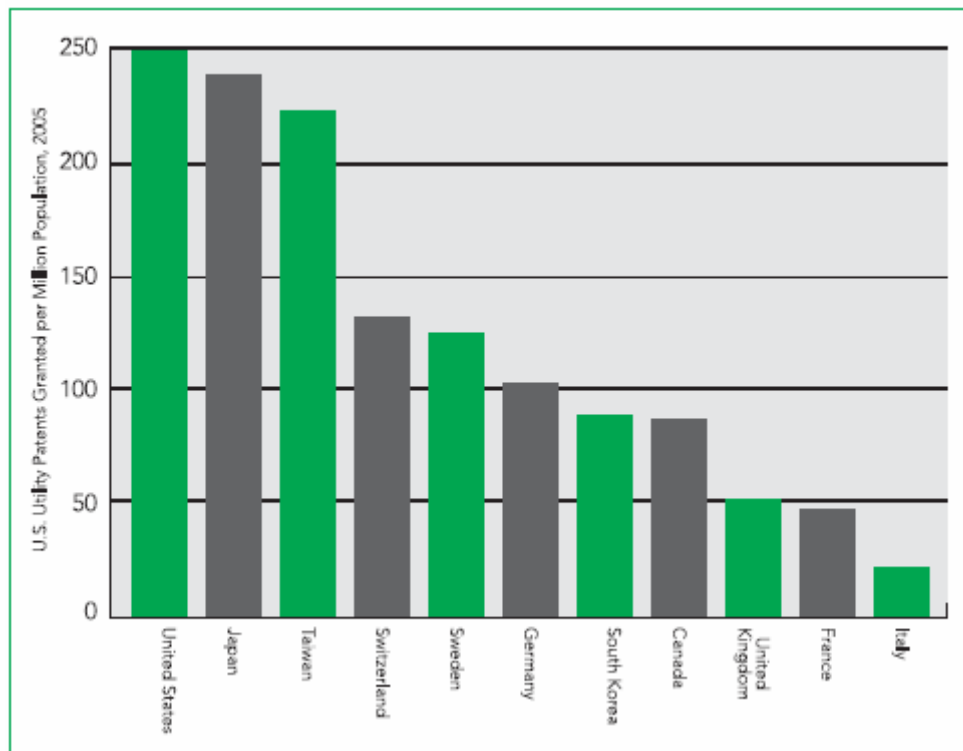
Of First Importance

America's future hinges on maximizing innovation. U.S. investors have traditionally been willing to take risks on new ideas; consumers embrace new products and this country protects and rewards research and innovation through intellectual property rights. Throughout our 225 + year history, Yankee ingenuity has been a hallmark of America's strength.

The many wonderful products that make our lives easier and more productive did not just happen by accident. Someone took the trouble to invent them and someone found a way to produce them at a price most of us could afford. Traditionally, these inventions are a product of U.S. innovation and the engine that transforms innovation into affordable products is manufacturing.

- The pioneer spirit of entrepreneurship is the foundation of our economy.

The United States Leads the Way in Innovation



Data Source: CIA World Fact Book

Historically, it is the achievements and creativity of individual inventors that have powered the dynamo of innovation. According to McConnell's and Brue's classic textbook, *Economics* (Thirteenth Edition):

“A pioneering study of sixty-one important inventions made from 1880 to 1965 indicates that over half were the work of independent inventors disassociated from corporate industrial research laboratories. Such substantial advances as air conditioning, power steering, the ball point pen, cellophane, the jet engine, insulin, xerography, the helicopter, and the catalytic cracking of petroleum have this individual heritage.”

The individual inventors who work independently to create novel innovations that help improve the human condition all share a common trait: they are strong-willed individuals determined to seize their own destiny.

Today, independent inventors are not only an important source of creativity - they are a national asset. In today's fast-paced market, American manufacturers are subjected to relentless competition. Any new product source that can save them money in research and development is strategically very important to them. That is why American manufacturing companies attend trade shows and industrial promotions all over the world. They are seeking that new product that can expand an existing product line or create a new marketing base. If NAFTA and outsourcing are the future, then licensing intellectual property is your key to prosperity.

To speed your ability to launch a new product and to capitalize on the distribution that others already have established, it's always easier to make a deal with someone that already manufactures and distributes similar products. Taking a smaller piece of a bigger pie will often help you generate greater profits more quickly and with less risk over a longer period of time.

Ultimately this means that your commercial success would depend, at least in part, on how successful the manufacturer is.

Today, American industry is under assault from many directions. This report will closely examine the status of American industry and how this reflects upon potential commercialization of American products.

The State of American Industry

How many times have you heard that “free trade has led to a loss of good manufacturing jobs?” Isn’t it conventional wisdom that “nothing is made in America anymore?” By one important indication, manufacturing’s share of the economy has been on a steady downward slope. During the 1950s manufacturing comprised 25 percent of the Gross Domestic Product (GDP); by 2005 it declined to only 12 percent.

Has outsourcing eroded what was once America’s mighty industrial base?

Are cheap imports undermining America’s competitiveness?

If you have an innovation that is novel enough to qualify as patentable subject matter should you count on American industry as the wagon to hitch your star to?

Are you better off working with manufacturers in other countries?

In this section of the report we will closely examine the status of American industry in general and how it applies to potential commercialization of products that were designed external to a manufacturer or corporate entity.

Not only has manufacturing lost its prominence as a percentage of the GDP but along with this shrinkage there has been a significant loss of jobs.

By now you may be wondering whether America will ever recover from this slump. Can we regain lost ground? Sure we can!

Fact. Manufacturing production in the United States is at its highest point in history.

Fact. Manufacturing continues to have the strongest pull on U.S. economic growth compared to any other business sector in the country.

How do we reconcile these facts with the earlier ones that paint such a radically different picture? Explaining this dichotomy is part of the purpose of this section of the report.

Let’s deal with job loss. One must first recognize that loss of jobs in a business sector does not necessarily mean that the particular sector is in decline.

In 1900, almost half of the U.S. labor force was employed in agriculture. Now, less than two percent of today's labor force works in agricultural jobs. If declining employment is used as a gauge of an industry's health one is tempted to conclude that Americans must not grow any more food. The fact is that the United States has approximately 12 to 13

percent of the world's arable land and still manages to produce almost 40 percent of the world's food supply.

In 1970, the telecommunications industry employed over 400,000 workers in good paying jobs as switchboard operators. Today, the telecommunications industry employs only 78,000 operators. That's a staggering 80 percent job loss. What happened to all those agriculture and switchboard operator jobs?

Our agricultural sector and the telecommunications industry have each benefited from spectacular advances in technology and innovation.

(Just imagine for a moment that technology hadn't destroyed most of the jobs of those Americans working in agriculture in 1900. Where in the world would we have gotten the manpower to make all those goods produced during the intervening decades that weren't even imagined in 1900?)

In 1970, those 400,000 switchboard operators handled almost ten billion long distance calls a year. Today, 100 billion long distance calls a year require only 78,000 switchboard operators. That's ten times the workload supported by less than one fifth of the workforce. Furthermore, the cost of making a long distance call is only a fraction of what it was in 1970.

The enormous increase in productivity as witnessed in agriculture and telecommunications applies across the board to all of America's industries.

- Between 1987 and 2005, manufacturing productivity almost doubled (it grew by 94%) while the rest of the business sector achieved only a 38% increase in productivity.

Simply put, American manufacturers are producing more products with fewer workers. It is also a fact that the remaining jobs are higher paying ones. On average, workers in the manufacturing sector earn higher wages and receive more generous benefits than many other working Americans.

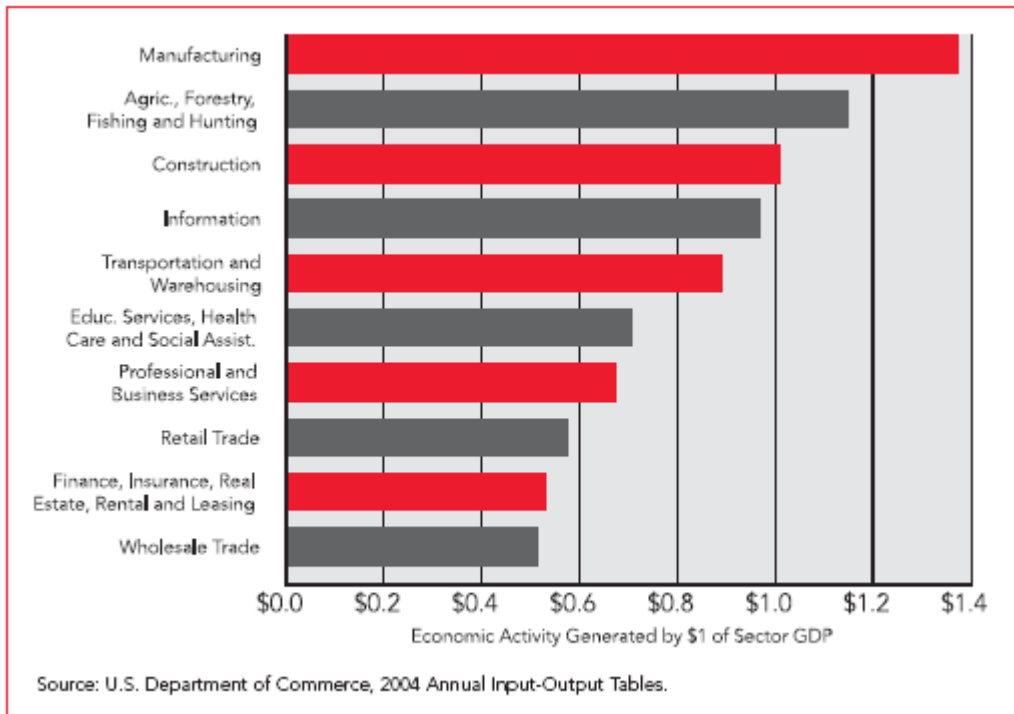
Manufacturers also contribute to the American economy in a way that is even more important. This is because manufacturing has direct and substantial links to so many other sectors of the economy including: mining, construction, railroad, trucking & shipping transportation, packaging, advertising, telecommunications, finance and wholesale trade sectors.

As manufacturing grows, it requires more of these inputs from other sectors and in turn catalyses the creation of jobs, investments and innovations in those non-manufacturing sectors. Economists call this phenomenon the multiplier effect. It demonstrates how

much additional output is generated by a dollar's worth of demand for manufactured products. Every dollar spent in the sales of manufactured products supports \$1.37 in other parts of the economy. Manufacturing has the largest multiplier effect of all sectors.

- More than one in six U.S. private – sector jobs depends on the manufacturing base.
- More goods are made in the U.S. than at any other time in our history.

Manufacturing's Multiplier Effect Is Stronger than Other Sector

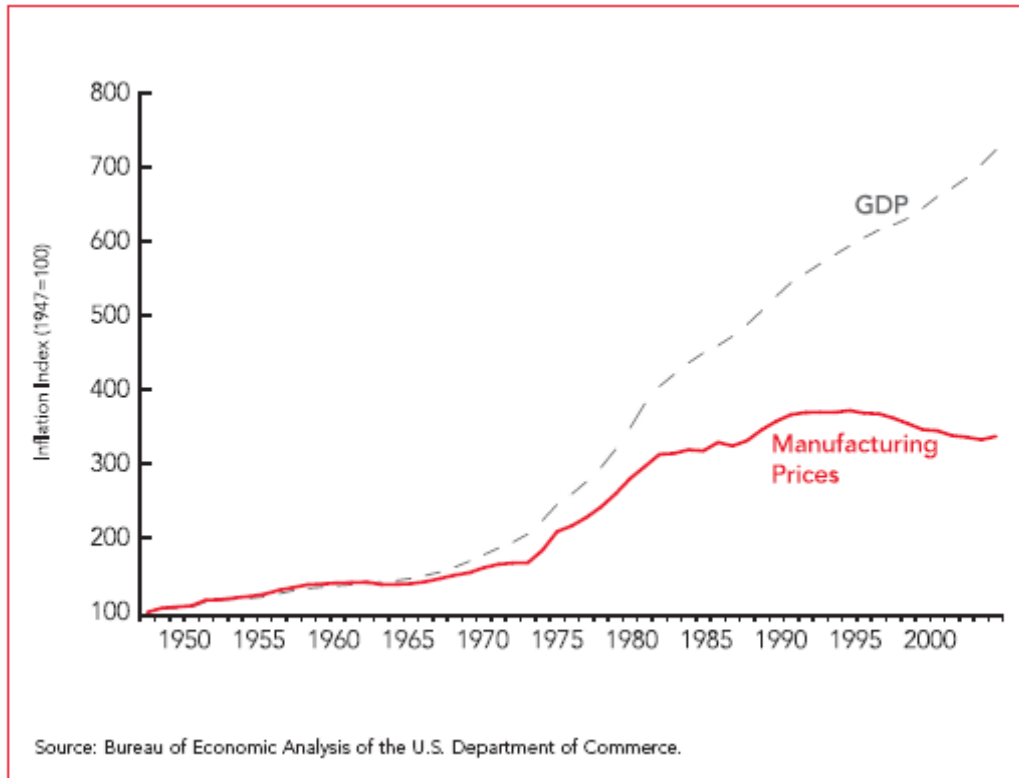


Chances are you have never heard of the vital role that United States manufacturers play in sustaining overall economic strength, until now.

If manufacturing is so robust and helps power the overall economy through the tendrils of the multiplier effect, then why has the manufacturing sector steadily declined as a contributor to the GDP? The answer to this question reveals one of the great triumphs of American industry.

It is a fact that over the past sixty years prices of manufactured products have increased at a much slower rate than the overall inflation rate. Since 1947, overall inflation has risen more than two and a half times faster than manufacturing prices.

As the economy has expanded manufacturing prices have decreased.



Even more remarkable is that since 1995 manufacturing prices have fallen by 9 percent while overall prices have risen by 22 percent! Legal services, health care and education have escalated in price while the price of manufactured goods overall has decreased.

GDP is a reflection of the dollars spent for products and services. As the price of a certain product or service rises, it takes up a larger share of GDP. Today, more of our country's resources are spent on business services, health care and education, where prices continue to soar.

While manufacturing's share of GDP has declined, this does not mean that less is being manufactured in the United States than in the past. Rather it is the huge difference in pricing power that explains much of the reason why manufacturing has become a smaller part of the economy – as measured by GDP - over the last decades. Consumers are spending relatively less on manufacturing products and more for other goods and services where prices have steadily increased.

- American manufacturers have created sustainable growth that supports good paying jobs.
- American manufacturers are leaders in driving the economy.

- American manufacturers are producing more goods at relatively cheap prices while other sectors have been driven by price inflation.

In a later chapter we will examine what strategies American industry has adapted to achieve such staggering success. Right now there is another success story that needs to be told. It is a success story that has been largely underreported and very few people who are not economists know about it.

After the attacks on September 11, 2001, the American economy plunged into a tailspin. The hardest hit was the manufacturing sector. During the 2001 recession the overall GDP grew by slightly less than 1%; manufacturing output however, dropped by almost 6%. While the rest of the economy struggled to maintain a modicum of expansion, the manufacturing sector was imploding. The resiliency of manufacturers turned that decline around so that manufacturing output has grown faster than the U.S. economy overall.

To the surprise of many, manufacturing accounted for 15 percent of economic growth—real GDP adjusted for inflation—between 2001 and 2005. After suffering a devastating loss, manufacturing once again contributed more to growth than any other single sector of the economy.

This phenomenal resiliency has important implications for licensing patents. It demonstrates that even when the manufacturing base is contracting, American industry aggressively seeks opportunity for new products and innovations that will help propel them back to prosperity.

If the economy is in a period of slowing down this does not mean that an independently patented product is at a disadvantage. To the contrary, a product that has market potential can be very attractive to a manufacturer when the economy is slowing because it saves them valuable research & development expenses at a time when money is tight.

- During the past 60 years the manufacturing base has been the most vulnerable to recessions. The good news is, on every occasion, manufacturing recovered the fastest and helped lead the economy to recovery.
- A product that can command the confidence of the public is very valuable to manufacturers during times of economic turbulence.
- Even when the economy slows, American Manufacturers aggressively seek new opportunities and new products to stimulate their recovery.

According to the Manufacturers Alliance/MAPI (May 1, 2008):

Manufacturing is poised to remain a solid pillar of the U.S. growth machine in coming years. It already is the source of the vast majority of new research and development spending and of patents granted in the United States. We will probably see a halt or even a reversal of the long-term decline of manufacturing as a portion of GDP due to soaring exports.

Another, totally independent, power group agrees. The World Economic Forum is a Geneva-based non-profit foundation best known for its Annual Meeting in Davos, Switzerland which brings together top business leaders and economists. In the fall of 2008 they issued their ranking of international competitiveness and once again the United States ranks number one.

.Global Competitiveness index rankings		
Country	2008-2009	2007-2008
United States	1	1
Switzerland	2	2
Denmark	3	3
Sweden	4	4
Singapore	5	7
Finland	6	6
Germany	7	5
Netherlands	8	10
Japan	9	8
Canada	10	13
Hong Kong	11	12
Britain	12	9

Source: *The Financial Times* (10/8/2008)

According to the *Financial Times*:

Jennifer Blanke, director of the WEF’s global competitiveness network, said despite the present turmoil the index was still relevant because it measured a wide range of factors important for long-term growth in productivity and living standards.

“Once the global economy emerges from the current financial crisis, which it will, the countries that do well on our index are those that are best prepared to bounce back and perform well in the longer term.”

Outsourcing

Although this section of the report does not relate directly to licensing prospects of patented products; the issue of outsourcing has commanded so much frantic attention in the news media that it may be helpful to consider a brief but sober examination of this controversial practice.

There is no doubt that we live in an age where it is practical to leverage global talent. There is no doubt that the practice of outsourcing is going to transform the workplace as well as how American industry conducts business.

According to *Businessweek*:

Ever since the offshore shift of skilled work sparked widespread debate and a political firestorm ..., it has been portrayed as the killer of good-paying American jobs. "Benedict Arnold CEOs" hire software engineers, computer help staff, and credit-card bill collectors to exploit the low wages of poor nations. U.S. workers suddenly face a grave new threat, with even highly educated tech and service professionals having to compete against legions of hungry college grads in India, China, and the Philippines willing to work twice as hard for one-fifth the pay. [Emphasis added.]

But once again the resiliency of American manufacturers manifests itself as a more enlightened assessment has emerged. While the changes ushered in by globalization have been brutal (one company in Wisconsin laid off a thousand employees - half its work force) the benefits of cost cutting allowed many companies to invest more in research and development which in turn fueled innovation which in turn created more jobs for Americans. Companies that initially laid off employees are now hiring them back with good paying jobs. One CEO proclaimed: "We can compete and create great American jobs. But not without offshoring."

McKinsey Global Institute has estimated that for every dollar spent on outsourcing to India, the United States reaps between \$1.12 and \$1.14 in benefits. Why? Thanks to outsourcing U.S. firms save money and become more profitable. This benefits the shareholders and increases returns on investment. In the process, U.S. workers are reallocated to the more competitive, higher-paying jobs.

Consider for example, that between 1999 and 2003, when Oracle and Microsoft engaged in outsourcing, 70,000 computer programmers lost their jobs but during that same time period 115,000 new - and higher paying - jobs were created for software engineers.

While outsourcing clearly reduces costs, its ultimate benefit too many companies is that it offers a shortcut to innovation.

In a previous chapter we discussed the loss of jobs in the manufacturing sector. From 1995 to 2002, U.S. manufacturing employment fell by 11 percent. But during that same time period China lost 15 percent of its manufacturing jobs and Brazil lost 20 percent. While manufacturing jobs were disappearing, on a global scale manufacturing output rose by 30 percent! This is because technological progress is the primary cause for the decrease in manufacturing jobs – not outsourcing.

Overall, the remaining jobs are the better, higher – paying ones. Also, as previously discussed, manufacturing productivity drives job creation in other non-manufacturing sectors of the economy.

A recent report from CFO Research Services concludes that many American companies wish to outsource routine services not only for the cost savings but to help them focus their employee's efforts on more important company work. The CFO of Kennametal, a multibillion corporation, says that, "Outsourcing has almost become the ticket to the game. If a process is not core and strategic to our success, someone else can do it for us, and do it better."

Delta Airlines outsourced 1,000 call-center jobs to India in 2003, but the \$25 million in savings allowed the firm to add 1,200 reservation and sales positions in the United States.

Outsourcing has helped American manufacturers remain competitive and has helped to create higher paying jobs for many U.S. workers. It is not the bogeyman that the practitioners of cable television would have you believe.

Here's a headline you have probably never seen before:

Manufacturers turn to United States (*Financial Times* 9/7/2008)

The article states in part:

"The latest cheap manufacturing site for European companies is not in Asia or eastern Europe but the United States ..."

- Volkswagen has agreed to build a one billion dollar plant in Chattanooga, TN.
- ThyssenKrupp, the German steelmaker and industrial super giant, is about to build a steel mill in Alabama.

American manufacturers have made strident gains in productivity through advancements in technology.

- Licensing patented technologies and products, has also made American firms more competitive because the practice of licensing saves them valuable research and development funds.

- Because licensing is so efficient for manufacturers, small to medium size companies can compete on a level playing field. In fact, a well managed, medium-sized manufacturer that is hungry for innovations may offer a more lucrative licensing contract than a super-large industrial firm would. Small and medium sized companies can be a gold mine of opportunity.

International Marketing

The domestic U.S. market is huge. It is the strength and size of our economy that amplifies royalties into enormous profit gains. Nevertheless the international market is vastly larger. A best-selling novel may sell 6-7 million copies in the United States and make several million dollars in royalties for the author. If it is printed into different foreign languages and sells overseas, the same novel may sell 15-30 million copies outside of the United States and earn an additional 10-20 million dollars in royalties for the author.

Television programs that enter foreign syndication can earn an extra billion dollars in annual revenue, like “Who Wants to Be a Millionaire.”

Likewise, if a manufacturer exports a licensed product to sell in foreign markets across the globe, this could dramatically impact your potential royalty earnings. For example, approximately 320 million consumers in the United States according to the last U. S. Census Report. Even one percent of this market is 3.2 million sales. This is insignificant compared to the Global market. The Census Bureau estimates that there are approximately 6.6 BILLION consumers worldwide. One percent of that market is 660 MILLION sales. Even one tenth of one percent of the global market is 6.6 MILLION sales. That is more than twice the number of sales as one percent of the U.S. market. This is called, “Economy of Scale”, where all you need is a small percent of a very large market to be successful. This is why globalization is so important to American industry. If a product can be patented on an International level it is much more attractive to potential licensors because of its massive earning potential.

An internationally patented product can very easily multiply its earnings because it is not limited by language or culture and can be licensed by many different manufacturers in different countries to suit their specific markets. This is called a “Product Line” where multiple versions of the same product are selling at the same time, using economy of scale, to pay multiple revenue streams to the patent holder.

Because the United States market is so diverse, it is often used as a proving ground for testing new product sales over a period of time while the international patents are being prepared.

How successful are American manufacturers in terms of exporting American products to international markets? How do American manufacturers compare to the rest of the world? How harmful is the trade deficit? And what about all those trade agreements America entered? Are we giving away the store?

A decade ago 30% of all U.S. exports consisted of manufactured goods that has steadily increased to over 60%.

- **MANUFACTURING DOMINATES U.S. EXPORTS.**

China, has pegged its currency to the U.S. dollar so it remains significantly undervalued. This stimulates Chinese exports to the United States and hampers U.S. exports to China. This is why the United States is relegated to second place as a world-wide exporter. In 2007 Germany was the number one world exporter.

Despite the significant gains that American firms have achieved in exporting products to international markets, the United States still runs a significant trade deficit, i.e., we import more products from other countries than we export overseas.

Is the trade deficit a threat to continued prosperity? Could it have negative consequences for marketing potential of American products? The answer to both questions is “highly unlikely.”

Though Germany is currently the number one exporter globally, the U.S. economy is healthier than that of Germany's, which has much higher unemployment and slower growth.

From 2001 until the end of 2006, our economy created over 9 million new jobs. During that time Japan created 360,000 jobs and the European Union countries (including Germany) collectively created just over 1 million jobs. Japan and all of the European Union countries sustained trade surpluses while we ran huge and increasing trade deficits. Spain and the U.K., like the U.S., endured significant trade deficits. Yet Spain created over 3 million jobs and the U.K created over 1 million new jobs. Moreover, wages rose in the U.K., Spain and the U.S. – the three countries sacked with a burgeoning trade deficit.

- The U.S. economy is much too large and complex to be measured by any single parameter. The trade deficit may be fodder for the hysteria mongers, but the reality is that this single parameter does not in any way reflect upon the overall vitality of our economy. Incidentally, throughout the long years of the Great Depression, America continually ran a trade surplus.

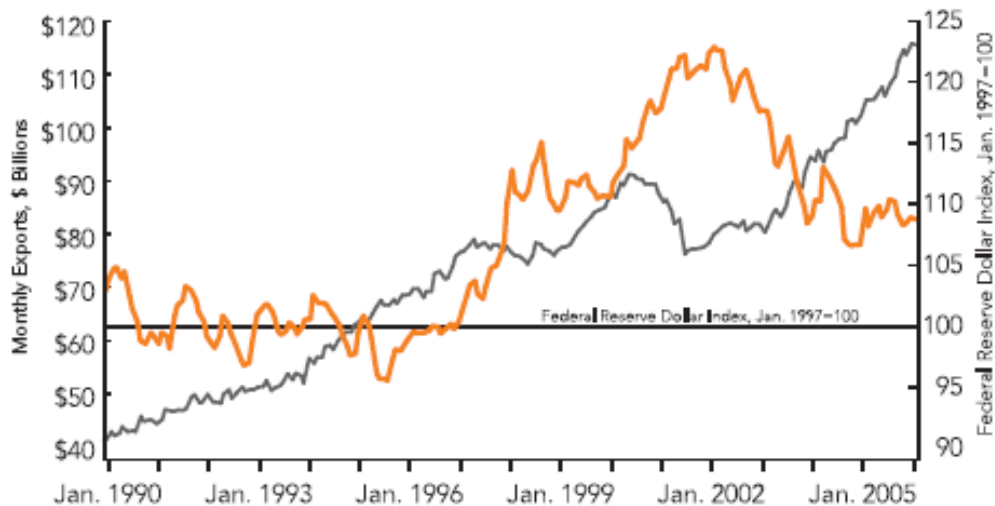
- The largest portion of the U.S. trade deficit comes from countries with which the United States doesn't have trade agreements.
- Throughout 2008 exports of U.S. manufactured goods were rising so fast that the U.S. now has a sizable surplus with free trade agreement nations.

In a previous chapter we mentioned the manufacturing recession of 2001. A decline in exports was the one of the prime causes. Manufacturing exports fell from \$770 Billion in 2000 to \$680 Billion in 2001.

During 2004 – 2005 a realignment of exchange rates sparked a depreciation of the U.S. dollar which in turn made U.S. products more price competitive.

In 2005, exports soared to \$900 Billion. Since that fateful year American manufacturers have been aggressive exporters.

Since 2005 American exports (black line) have risen while the U.S. dollar depreciated (orange line).



Source: U.S. Department of Commerce and Federal Reserve.

- In 2007, our foreign sales of services totaled \$488.5 billion topping the combined total of Britain and Germany, the second and third most successful services exporters.

- One of the main reasons for American manufacturers' global resurgence is the transformation of developing nations into free market economies, which now account for nearly half of U.S. exports.

According to the National Association of Manufacturers:

"The global economy is more important than ever for U.S. manufacturers. ... American manufacturers have increased their competitiveness and look to new export markets for trading opportunities." [Emphasis added.]

The Association also notes that investors and industrialists are not so much concerned about having access to inexpensive labor but rather access to large and growing markets is the primary driving force.

In today's hyper-competitive climate, a new product is likely to be evaluated in terms of its potential to sell in a nation-wide market. If the same product can capture just a portion of a multibillion dollar international market, then it could potentially generate millions of dollars in sales revenues.

According to *Industry Week*:

"While globalization was once the exclusive domain of large multi-billion dollar companies, today even small to medium size enterprises cannot escape the issues associated with global trade ..."

Throughout 2008 exports of U.S. manufactured goods were rising so fast that the U.S. now has a sizable surplus with free trade agreement nations.

- The strategic importance of working with manufacturers that are positioned to maximize the benefits of international marketing cannot be over emphasized.

Inventing the Future

The manufacturing economy in America is central to our nation's economic prosperity and our national security. Despite many challenges America has retained its role as a world leader in productivity and competitiveness.

As demonstrated with the recent examples of Volkswagen and ThyssenKrupp locating to the United States, we have recently turned outsourcing on its head as we attract foreign manufacturers to America.

An executive at the Italian industrial conglomerate, Fiat, recently declared that the United States is "one of the low-cost locations to be in."

Spectacular achievements in technology and innovation have kept mass production costs low thereby maintaining America's competitiveness in the face of cheap foreign labor.

Licensing patents from independent inventors is another valuable resource for American manufacturers since it provides them with an efficient mechanism to diversify their product line that saves valuable research and development funds.

We have seen how the industrial sector is the engine that leads the country out of periods of economic slowdown. Even if the manufacturing base is temporarily contracting - American manufacturers retain their aggressive posture. This is what makes patent licensing such a unique opportunity: it can be as promising and lucrative during hard times as well as good. The key to success is to promote your intellectual property and not be distracted by misleading headlines.

Primer on Venture Capital and Financing Strategies

Background

Small business is big business. In 1990, just prior to the tidal wave of Hispanic immigration, approximately 1 out of every 150 individuals had become a millionaire by starting their own business. The commercial success of all businesses – large and small - is ultimately tied to the strength of the American economy.

Confounding many of its critics of a few years ago, the American economy is outpacing the economies of industrial nations by an astonishing margin. The United States has been highly successful in creating new jobs, despite having endured a tidal influx of migrant workers measuring into the tens of millions. While Europeans are experiencing double-digit unemployment, the U.S. economic engine rolls on, combining low unemployment and low inflation in ways which seem to defy the accepted econometric models. The Japanese miracle, the Pacific Rim tigers . . . little need be said about their decline in economic stature, except that it has happened despite educated workforces, positive balances of payments, high savings rates, strong productivity, and a work ethic which equals if not exceeds that which exists in the United States. What is going on here? Are there other forces at work?

In terms of natural resources we are not the richest nation. Russia certainly has more of everything the world needs to run its factories, yet its economy is a shambles. We run a balance-of-payments deficit year in and year out, including a deficit in our own internal accounts. Other indices, infant mortality, for example, and secondary education are not wholly favorable. What then constitutes the critical distinction that seems to endow America with the upper hand?

Many economists espouse that a modern crucial difference between the U.S. economy and those of the other nation states with which we compare ourselves lies in a confluence of factors which came together after World War II, under the heading of "Venture Capital." Entrepreneurs, investors, scientists, and business managers have coalesced their respective talents to incubate new firms; almost all of which are high - tech oriented. Classic garage start-ups which later transformed into multibillion-dollar corporations include Apple, Intel, Compaq, and the like.

Only in America, it seems, have the necessary constituent elements been successfully integrated to create an economic powerhouse that individuals can tap into if they have the right innovation at the right time and are willing to pursue it.

Georges F. Doriot is regarded as the father of American venture capital industry. In 1946, he founded American Research and Development Corporation, the first publicly owned venture capital firm. Prior to this, the practice of business financing remained almost exclusively in the domain of a few wealthy families. Vanderbilt interests financed Juan Trippe in the organization of Pan American Airways, Henry Ford was financed by Alexander Malcolmson, and Captain Eddie Rickenbacker was able to organize Eastern Airlines in the 1930s with backing from the Rockefellers.

The first venture - backed startup company was Fairchild Semiconductor, funded in 1959. It introduced the first commercially available integrated circuit.

Genentech Inc. was founded in 1976 by venture capitalist Robert A. Swanson and biochemist Dr. Herbert Boyer. In turn Genentech is considered to have spawned the biotechnology industry.

Fairchild Semiconductor and Genentech are two examples of startup operations funded with venture capital that helped revolutionize the market place by developing and transforming inchoate technologies into a sweeping vista of new products previously thought to exist only in science fiction.

Venture Capital comes in many sizes, from 100 million dollar stock offerings, to small private investors or backers, now called peer-to-peer investors or sometimes joint venturers.

Peer-to-peer investors are the most accessible type of capital venture for the private inventor and patent holder.

As a patent holder the most lucrative option available to individuals and small companies that possess patent rights on a particular product or novel technology is to license the patent rights to a large corporation that has mass production capability, a nation-wide distribution network and an advertising budget to raise consumer awareness. This strategy relieves the individual of a huge burden. For the corporation it is advantageous

because it provides a profitable way to expand their product line since they save on research and development expenditures.

If it is your intention to license your product to a manufacturer then it is essential to have a professionally prepared industrial background report that includes a patent search along with a legal opinion of patentability. If all is well, then it is of paramount importance to secure patent protection for your product/idea and perhaps obtain international patent rights as well. Many American companies are looking for opportunities to project their products onto the global marketplace. This is why international patent rights can be so important to you.

It is also important to be able to secure the services of a licensing attorney to negotiate with a corporation that expresses an interest in licensing your patent. You can bet that the interested corporation is going to have their coterie of legal talent bargaining in their best interest. What you need is an attorney who is competent in all the different facets of complicated corporate law, who is a skilled negotiator and has a successful track record of licensed products.

If you require relatively small amounts of capital (say \$50,000 or less) in order to secure proper patent, copyright and/or trademark protection needed to launch your product to industry then your best option is to work with private investors or backers through a simple but effective business arrangement by offering them a share of the future royalties. In order to raise capital of \$1 Million or less the strategy of going “From Wall Street to Main Street” is very effective. If you can work together with a professional who has experience helping individuals to secure capital from private sources then so much the better.

Conclusion

In terms of innovation, the number of people employed, and contribution to the gross national product, small business is the backbone of the American economy. If you are a start-up company that has no track record of success it is vitally important to seek professional assistance to help assemble a detailed business plan along with your patent and trademark to protect your company's only asset – you're intellectual property.

If you plan to license a product, or idea for a product, to industry you need professional assistance in preparing an industrial report that critically examines how your product fits in today's business and industrial environment.

This is the kind of background information that an industrial firm needs in order to determine if your product falls within the scope of their operation, or if it is something they would like to expand into.

If you have an idea, a product and the drive then seek professional guidance to launch your start-up venture. If you have what it takes, you can be well rewarded. Why?

BECAUSE SMALL BUSINESS IS BIG BUSINESS.