

Inventors COUNCIL

OF MID-MICHIGAN
PO BOX 232, LENNON, MICHIGAN 48449

OF, ABOUT, and FOR the education, promotion and protection
of inventors and their intellectual properties and ideas.

THE INVENTORS COUNCIL is an independent, non-profit organization formed to help inventors pursue their dreams of bringing new and innovative products to market. Our goal is to help fellow inventors succeed in the most efficient and least costly manner possible by providing education and business networking. We are the minnows protecting each other from the sharks.

FOUNDED BY ROBERT (BOB) ROSS IN 1995

inventorscouncil.com

WE MEET MONTHLY AT WALLI'S RESTAURANT, 1341 SOUTH CENTER ROAD
BURTON, MICHIGAN, JUST TWO BLOCKS SOUTH OF I-69, EXIT 139

VOLUME THIRTEEN

MEETING THURSDAY, MARCH 12, 2009, 7:00 P.M.

NUMBER THREE

Tax Treatment for Inventors

Leonard Kilgore is a CPA and Branch Manager at Fiducial Business Center in Burton, Michigan. He can be reached via email at len.kilgore@fiducial.com.

* * *

Good news for inventors, employed or not! Analysis suggests that under current tax law, inventors may be able to obtain capital gains treatment for all income paid to the inventor, including intellectual property which include license fees, royalty payments and proceeds from the sale of equity, even when received from an employer. This is good news because capital gains are taxed at significantly lower rates than ordinary income.

Section 1235 of the Internal Revenue Code permits such treatment when the requirements of that section are met. In December 2002, the IRS identified the factors required for Sec. 1235 capital gains treatment to apply:

1. The inventor was not specifically "hired to invent";
2. The employer treated the payments as royalties, and not as salary. Payments were reported on form 1099-Misc.
3. The inventor and employer executed written agreements to assign the patent rights and to agree on the royalties;
4. The payments would continue beyond the employment relationship for the patent's life;
5. The payments were connected to the transfer of the rights to the invention, rather than compensation for services; and
6. The payments received by the inventor depended on the use or value of the licensing of the patent.

* * *

The above information is intended for information purposes and does not constitute tax advice. Please contact your individual tax advisor to determine if you may be entitled to capital gains tax treatment on distributions made to you in connection to intellectual property.

Last Call

As of April 1, members who have still not paid their 2009 dues will be dropped from membership and will no longer receive the monthly ICmm Newsletter.

TONIGHT'S MEETING

A Little Bit of This ...

President Mike Ball will outline tonight the steps a simple invention must take to reach Production.

He'll take us from the original Idea stage to a Sketch to a Drawing to a Mock-up to a Prototype to Packaging and finally to Production.

And the devil is in the terminology.

If you don't know the jargon that people in the business speak, you won't be able to gain their trust as being one who knows what he's talking about.

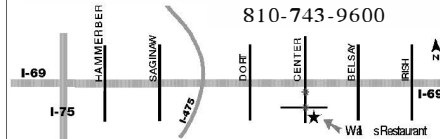
Remember, If you can't build it (reach the final Production stage), you can't sell it.

... A Little Bit of That

The rest of the meeting tonight will be devoted to Questions and hopefully Answers. Make your notes early and bring them with you.

OUR NEXT MEETING WILL BE HELD AT

WALLI'S RESTAURANT
1341 SOUTH CENTER ROAD IN BURTON
JUST TWO BLOCKS SOUTH OF I-69
810-743-9600



WE MEET THE SECOND THURSDAY OF EACH MONTH

Inventors
COUNCIL
OF MID-MICHIGAN

PO BOX 66
ATTICA, MICHIGAN
48412-0066

Return Service Requested

If this address label is
in error, please notify
brab @ tir.com

FEBRUARY MINUTES

President Mike Ball opened the meeting and talked of some of the changes the Board has made. Meetings will begin with the Treasurer's report, web site updates and mention of upcoming activities.

Treasurer Marty Sovis submitted his report for both the Checking and Petty Cash accounts. His reports will summarize the past month's activity including deposits, withdrawals and balances for each account. He told the membership he will have the account books available for review by members at each meeting. Also, he will require receipts for all transactions and approval by at least three officers before a check is written.

Mike will begin inputting our "Product and Service Database" which will be accessible to members only. It will have names and phone numbers of resources to help inventors, along with recommendations by the sponsoring member.

Fred Elvin passed out the new profile sheets that were developed for members to network more easily.

Guest speaker Mary Kordyban is Assistant Manager of the Business, Science & Technology Department at the Detroit Public Library and lead librarian for Patent searches. She gave a very informative presentation on the purpose of a depository library, and what it can do for someone looking to get an item patented.

The Detroit Library is one of only three in Michigan that are Patent and Trademark Depository Libraries. There are a total of 84 libraries, nationwide, that deal with patents and trademarks. Librarians will help you with a patent search.

— Marty Sovis, Secretary

MARKETING

HINTS FROM THE FOG

by Mike Ball, President

COMMON TERMINOLOGY OR JAR-

As inventors, we are faced with challenges every day in trying to get our invention ideas to come to life.

One of our greatest hurdles is communicating with others on what we are trying to accomplish and where we are at in the process of inventing. Words do matter when we communicate with others. A doctor talks in certain terminology. So does a football coach. They may both be using the English language, but the "jargon" they use is unique to their field of expertise.

An inventor must learn to speak in the jargon of the industry they are trying to enter. You must learn to speak research, design, engineering, packaging, marketing, finance, distribution, and many other disciplines you must interact with to get your invention to market.

Inventors are faced with communicating their ideas to others that help them understand what it is the inventor wants to accomplish.

It all starts with explaining your idea clearly and concisely to your audience. The two easiest ways to convey your idea is with a 3-D picture or sketch or a physical model you can touch and feel.

The two terms I want to define are Mock-up and Prototype. These terms are very different from a total vehicle or product approach versus a single part or component design.

Mock-up on the part level is a "rough" 3-D model that conveys the size, shape, location, attachments, etc. The Mock-up parts are used to show others your design idea and how it will interface with other parts and designs. We made the parts out of wood, foam, cardboard, fiberglass, plastic, and other materials that were light and cheap. A Mock-up is used as a communication and discovery tool to start the physical design process. The parts are not functional, testable, or durable. It is just a 3-D representation of your design idea so all the interested parties can look at the same data (information) and get a general idea of what your design (invention) will look like and how it interfaces with the parts around the space it occupies.

Prototype is the most misunderstood term in engineering. A component engineer may call the first Mock-up a prototype, but that is not correct. To me a Prototype is the last stage in the development process before you fine tune the design for production. (Like adding graining, final paint, stripes, tooling locators, gage holes, labels, etc.) Terms like POD, mule, alpha, beta, gamma, prototype, and production

INVENTION REVIEW PANEL

For objective evaluation and price-less feedback, share your invention ideas with an educated group of inventors, business owners, engineers and authors!

Our Panel will sign a non-disclosure agreement to guarantee your ideas are kept secret while we provide inventors with the input needed to make decisions, no matter what stage of the invention process they're at!

There's no cost for this service. The Panel meets at 6:15 p.m. before each meeting. Call Panel Chairman Mike

REVIEW PANEL MEMBERS

MIKE WILEY

JIM WHITE MIKE BALL

are stages of design iterations in the automotive world on the way to make the best production vehicle or product you can produce.

No matter what you call your design stage, Mock-up or a Prototype, there are some things that are clearly not either one that I have seen presented to me at our Council.

A written sheet of paper with two paragraphs about what you want to make is an idea, not a Prototype. A sketch is not a Prototype, but an idea with a little detail. Card-board taped together in a rough shape, is not a Prototype.

A Prototype should look and work the same as the final product you are trying to invent or produce. It should be able to be tested

and evaluated, and it is far beyond a Mock-up.

In the design world today, you want to work and iterate the design in math (the computer) and evaluate in physical. You can't afford to build too many physical models, but can use cheap Mock-ups to demonstrate and fine tune your ideas. Use Prototypes (looks and works like) which are expensive, to fine tune your invention before committing the time and money for actual production.

You can call your piece of paper or hunk of foam a Prototype if you like, but no one with any design or engineering background will have any respect for your ideas after that.

Be careful to use the correct jargon when trying to communicate you ideas with others in any industry.

Mike's talk tonight will involve this article. Bring the Newsletter with you to follow his points.

BOB ROSS

1919 - 2004

Inventors Education Column

Shipper, Invoice, Statement

By William E. Thomas, P.E., C.Mfg.E.

The main papers that go with the Accounts Receivable part of bookkeeping are: the Shipper (with it's attachments), the Invoice, and the Statement.

• THE SHIPPER is a very valuable piece of paper after it is signed by the proper person who is authorized to receive your product. It is your proof of shipping your product and of the customer receiving it.

At the top of the front side of the shipper should be the date, shipper number, business name, phone number and address where the products are shipped from. Next the Company's name, phone number and address where the products are being shipped to.

In the middle of the shipper will be a listing of the boxes or packages being sent and an itemized listing of what each contains by description and part number. Below this will be a line stating "Received by ____". The blank space is for a signature. If a certain person is to sign for the shipped products, his or her name should be typed below the blank line and the statement that their signature is required.

On the back of the shipper is information on many different things. It may include information on return policy of the products, shipping specifications required by law, manufactured labor regulations, material information etc.

Two copies of the shipper always go with any shipment. The one is signed and returned to the company who shipped the products. The second copy is left with the company that received the products.

• THE INVOICE is the first bill to the customer for the shipped product. It can be sent with the shipper or mailed separately to the company who received the products. If mailed separately, it's done the same day or shortly after the product is shipped. The top of the invoice will have both the company's name and information on it the same as the shipper. It also will have the date and an invoice number. Note that the invoice number may or may not match the shipper or statement number.

In the middle of the invoice will be a listing with the dates, the shipper numbers, and the cost for each listing. It may also have other information such as an itemized listing for some shipments. At the bottom of the cost column will be a total which will show the total cost of the listed items. If there are any special fees or costs such as shipping and handling, it's considered a subtotal. The shipping cost and special fees are then listed and given in the cost column Below this cost column will be the invoice's total cost of the products and any special fees.

At the bottom of the page should be the terms and conditions of payment including when payment is due, interest, and any penalties. Note: If the full terms of payment are not stated on the invoice they will not be enforceable later in court. It also needs to show any extra cost such as restocking fees. Other condition can be listed such as the requirement of a RNA (Return Notice Authorization) for returned goods.

• THE STATEMENT is normally a monthly or bimonthly list of what the company that shipped the product is owed by the company that received the product. At the top of the statement will be the same information about the company as on the invoice, plus the date of the statement. It may have a number on it.

Just below the heading will be a statement line of any past balance. Beneath this in the middle will be a listing of invoices by date and number with the cost of each. At the bottom of the listing will be a subtotal of the amount due for the listed invoices and any former balance.

This is followed by a listing of all payments and their amounts made since the last statement. These payment are totaled and subtracted from the above subtotal. The result is the new total that is put at the bottom of the statement.

Note that each of these forms all have a number and a date. This is the way that they are referenced to in the Accounts Receivable and Ledger.

Officers And Directors

MARTY SOVIS
Secretary/Treasurer
810-659-6741
msovis@
comcast.net

RON KILPONEN
Legal
248-344-7132
kilponen@
bignet.net

JIM HARRIS
Membership
810-621-3468
harris03@
charter.net

MIKE BALL
President
810-245-5599
michaelball@
turbousa.com

MIKE WILEY
Evaluation
810-691-4451
mwiley1111@
aol.com

FRED ELVIN
Information
248-652-6945
fwelvin@
sbcbglobal.net

BILL BRABENEC
Communications
810-724-2722
brab@
tbr.com

BILL THOMAS
Vice President
810-664-1500
wthomas@
gfn.org

ALEX KIWIOR
Evaluation
248-654-3258
akiwior@
flash.net

DON WILDFONG
Marketing/Historian
810-654-0891
dwildfong@
earthlink.net

A 501-C-3,
All-Volunteer
Corporation