

Deciding whether to patent an invention is one of the most difficult decisions management of a business can face. On the one hand, patent applications are expensive and consume scarce capital and management time. On the other hand, patents may represent the “crown jewels” of a business and there is a common perception that patents are crucial for raising investment capital.

This tool is not a substitute for legal advice, nor expected to produce definitive answers. Management is an art, not a science, so not tool can produce “the answer”. It is intended as a rough guide to help management manage.

In this tool, an “invention” is the novel feature, method, process or combination. It is not the product or service that incorporates (or ‘embodies’) – and goes beyond – the invention.

The factors that influence whether investing in a patent is likely to be worthwhile include:

1. The costs of acquiring patent rights.
 - a. How difficult will it be to draft and prosecute the patent?
 - b. In how many countries will you need to protect your invention?
 - c. How difficult will it be for you to bear these costs?
2. The costs of enforcement.
 - a. How difficult will it be to determine if someone is infringing your patent?
 - b. Can you, or a purchaser of the patent, afford to sue?
 - c. Will your judgement be enforceable and stop infringement?
3. Monetizing. Patents only pay off if they generate profit. This can come from any or all of increased revenue, increased gross margins, or the sale of the business or IP.
 - a. What is the incremental gross margin from the patent: does the invention generate incremental revenue and/or take market share from products/services without it?
 - b. Will it be possible to sell or license the IP or is someone likely to pay more for the business with the IP than without?

How to interpret the results of the tool on the next page.

Total between:

0-15: Patenting may not be a wise use of funds.

16-30: Consider patenting and the alternatives. Watch your costs prudently.

>30: Consult a patent agent promptly and keep the invention secret.

In the following table, answer each question with a number between 0 and 5.

Is your industry mature or rapidly evolving? (evolving quickly - 0; mature - 5)	
Within the norms of your industry, how easy will it be to tell if a competitor is using your invention? (impossible - 0; easy - 5)	
Does your invention make a material difference to existing practices that people will pay for now? ('nice to have in the future' - 0; 'need to have in the present' - 5)	
Can you envisage someone licensing or buying the patent from you (or buying your company) so that they can incorporate the invention in their product/service? (no - 0; yes - 5)	
Is the invention for a niche feature or a product with a large market? (niche - 0; broad - 5)	
Will competitors want to offer your new product/service/feature and if so, will they have to copy your invention or is it likely that they will find another way to achieve similar results? (will not want - 0; will find other means - 3; will definitely want and must copy - 5)	
Will it be easy or difficult to keep the invention secret? (easy - 0; difficult - 5)	
Will the invention increase or decrease your client's total costs? (increase - 0; decrease - 5)	
Is the invention new, not obvious, and owned by you without restriction? (old, obvious, encumbered - 0; new, unobvious, unencumbered - 5)	
Total:	