

**A balance.** All patent strategies require a balance between two competing values:

- a) The potential benefits of the patent over the long term; and
- b) The costs of the patent, most of which will be borne in the near term.

**Uncertain benefits.** The benefits of a patent are uncertain and range from very high to nil. For some companies, patents truly are the 'crown jewels' and they represent the difference between staggering success and complete failure. Some issued patents are worthless. To add to the problem, valuing even an issued patent is extremely difficult and at a minimum requires - knowledge of patent law, business, and the technology to which the invention pertains.

For a patent to be valuable, it must be valid and enforceable against potential infringers. Not all issued patents are valid – many are invalidated in litigation. To be valid, a patent must cover an invention that is novel, inventive and useful, and comply with a number of other requirements. For instance, if it turns out that the patent was anticipated by prior art (even if that art was unknown to you or the patent examiner at the time of issuance) the patent will be invalid. As to enforceability, potential challenges include that you must have a valid patent in the country where you aim to stop the infringer's activities and that it must be possible secure and enforce judgement in a reasonable time period and at reasonable cost in that jurisdiction.

Second, to have value, the patent must define claims that have monetary value, so that competitors cannot design easier or cheaper alternatives. This issue is not internal to the patent itself of patent law, but rather relates to the nature of the technology, the availability and cost of alternatives, and what customers of the patented invention are willing to pay for.

**Certain Costs.** The costs of patenting are relatively certain and immediate. They are almost never inconsequential, and they can be substantial especially if you wish to file multiple patents and/or file in a large number of countries.

Unfortunately, while you must spend money to secure valuable patents, spending a lot of money does not guarantee that your patents will be valuable.

As a result, formulating and executing a patent strategy is one of the most difficult exercises of judgement for managers of technology companies. Management must trade off the competing objectives of minimizing current cost, while maximizing future available protection. There is no easy answer to this trade-off – it is a matter of judgment that must be sensitive to context (e.g. market conditions, rate of evolution of technological innovation, etc).

Often, the single most important thing that management can do to facilitate wise patenting is to:

- a) secure the maximum rights possible in a timely fashion, and then
- b) defer the expenditure of money on patents to the greatest extent possible without violating principle (a).

**Secure maximum rights.** Generally, the quickest, cheapest, and most effective way to secure the maximum possible patent rights is to file a U.S. provisional patent application immediately, prior to any possible disclosure of the invention. More information on provisional patents is provided in our handout “From Provisional to PCT”.

**Exploit deferral.** Deferral is your friend because:

- a) Money not spent now is money that can be used on growing the business.
- b) During deferral, you can enhance your knowledge and thus make substantive improvements to your patent application(s). Deferral does not mean ‘do nothing’. Indeed, it means, ‘work quickly’. You can, and should, increase your knowledge over time of: the potential strength of the patent application(s); the potential weaknesses of your disclosure or claims, or means to work around your patent; and the marketability of the invention. Use this knowledge to improve the patent application, to cull weak ones, and to focus on good ones in ways that will maximize marketability of the invention.

**Consider alternatives.** Throughout the patenting process, you should consider alternatives to patenting which include maintaining the invention as a trade secret, trying to use other lower cost intellectual property rights like industrial designs, copyrights and trademarks to retain a proprietary invention in the invention, or, to adopt an ‘open source’ non-proprietary approach. Sometimes, customer traction with earlier adopters is the most powerful barrier to entry and protector of your lead and you should not spend time or money on trying to retain exclusive intellectual property rights.

**Start monetizing immediately.** The mirror image of the significance of deferral of patent costs is the importance of commencing efforts to monetize the invention immediately.

Generally speaking, once you have a provisional patent application on file, you should start systematic efforts to monetize the invention immediately. Start licensing and sale discussions immediately. Vet the market for products/services that incorporate the invention. The sooner you begin discussions with potential customers and get a sense of the market value of the invention, the better. This information will help guide such crucial patent strategies as which inventions to protect; where to file for protection, and to what degree. In addition, it will provide , you with a full range of business strategies including what you selling, where, at what price and to whom.