

INVENTION RATING CHECKLIST

This rating system is explained in Russ Krajec's book "Investing In Patents", available at InvestingInPatents.com. Additional information on these topics can be found at BluelronIP.com.

PATENT WORTHINESS

Could you get a patent and would it be enforceable? If the invention is not detectable, try reforming the invention so that it could be. Likewise, adjust the focus of the invention to read on the right actor. Remember that you cannot enforce your patent against your customer, only your competitor.

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| Score | NOVELTY |
| 5 | New scientific phenomena are applied (less than 1%, 10,000,000 trials) |
| 4 | Improvement uses science that is new to the industry or technology (4%, up to 10,000 trials) |
| 3 | Applies engineering knowledge from other industries or technologies (18%, up to 1000 trials) |
| 2 | Solution not well known in industry, requires creative thinking (45%, up to 100 trials) |
| 1 | Obvious, routine solution (32%, less than 10 trials) |
| Score | DETECTABILITY |
| 5 | Detectable through casual inspection/competitor advertising |
| 4 | Detectable through inference based on observation |
| 3 | Detectable through targeted investigation and experimentation |
| 2 | Detectable through experimentation by subject matter experts |
| 1 | Undetectable without specific knowledge about implementation |
| Score | ACTOR ANALYSIS |
| 5 | One actor who is a direct competitor and has deep pockets |
| 4 | One actor who does not compete, but has deep pockets |
| 3 | One actor who is a customer, but had deep pockets |
| 2 | Two actors, one is a deep pocketed competitor |
| 1 | Two or more actors, all of which are customers or a single actor who is immune to litigation |

INTERNAL BUSINESS VALUE

How well does the invention fit in your existing product line.

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|-------|-----------------------------------------------------------|
| Score | ALIGNMENT TO INTERNAL BUSINESS PLAN |
| 5 | The invention is committed to ship |
| 4 | The invention is likely to ship in the next product cycle |
| 3 | Resources devoted to implementation |
| 2 | Feasibility stage only |
| 1 | No resources assigned to invention |
| Score | IMPORTANCE TO PRODUCT |
| 5 | Key aspect of product strategy and product roadmap |
| 4 | Important aspect of product strategy |
| 3 | Key feature of product |
| 2 | Improvement to a product |
| 1 | Supplemental aspect of product |

How to use this form:

For each of the topics, choose a score that best matches your invention. If there is a topic that your invention does not score well, think about ways to change the invention to do better on that topic.

Topics that score "1" can make a patent worthless, especially in the Patent Worthiness and Design Around sections.

Topics that score "5" are very rare, but when they exist, they can be especially valuable.

INVESTING IN PATENTS

EVERYTHING STARTUP INVESTORS AND
THEIR CEOs NEED TO KNOW



DESIGN AROUND ANALYSIS

Compare the invention against the best alternative design. The best alternative can be a product in the market, or how you might design a product to compete with the invention. **There ALWAYS is an alternative to your design.**

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|-------|-------------------------------------------------------------------------------|
| Score | COMPARISON OF INVENTION TO BEST DESIGN AROUND ALTERNATIVE |
| 5 | Invention has 10x performance advantage over best alternative |
| 4 | Invention has 4x performance advantage over best alternative |
| 3 | Best design around alternative is missing important features of invention |
| 2 | Best design around alternative is equivalent to invention in cost/performance |
| 1 | Best design around alternative is superior in cost/performance to invention |
| Score | TRUE ECONOMIC ADVANTAGE OF INVENTION |
| 5 | Invention has economic advantage over alternative of 10x or greater |
| 4 | Invention has economic advantage over alternative of 4x |
| 3 | Invention has economic advantage over alternative of 2x |
| 2 | Invention has economic advantage over alternative of 1.5x |
| 1 | Invention has no economic advantage over alternative |

EXTERNAL BUSINESS VALUE

This section examines how well the invention fits into **competitor's** product lines, as well as the outbound licensing potential and applicability to industry standards. This is where patents have a multiplying effect to make your company truly valuable.

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|-------|-----------------------------------------------------------------------------------|
| Score | COMPETITOR'S PRODUCT FIT |
| 5 | Addresses direct need of competitor's product and fits in competitor's strategy |
| 4 | Addresses a shortcoming of competitor's product in a substantial manner |
| 3 | Addresses a shortcoming of competitor's product that a third party may implement |
| 2 | Solid improvement to competitor's product where different solutions exist |
| 1 | No known or expected competitor activity |
| Score | OUTBOUND LICENSING POTENTIAL |
| 5 | Invention has significant value and is a key element of a licensable product |
| 4 | Invention has value in other markets (i.e., dramatic cost savings or improvement) |
| 3 | Invention has good value in other markets |
| 2 | Invention could be licensed as part of a package with other inventions |
| 1 | No expected licensing potential - invention limited to our products/technology |
| Score | APPLICABILITY TO INDUSTRY STANDARDS |
| 5 | Likely to become standard in all competing products |
| 4 | Most competitors are likely to adopt |
| 3 | Some competitors may adopt |
| 2 | Market has no preference for invention over competing options |
| 1 | Not expected to be used by competitors |

The average US patent costs over \$56,000, and Bluelron IP invests in startups by financing all their patent costs. However, we only finance patents when the invention survives due diligence. If your invention scores high on this checklist, we would like to hear from you.

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