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On the Licensing of a Technology with Unknown Use

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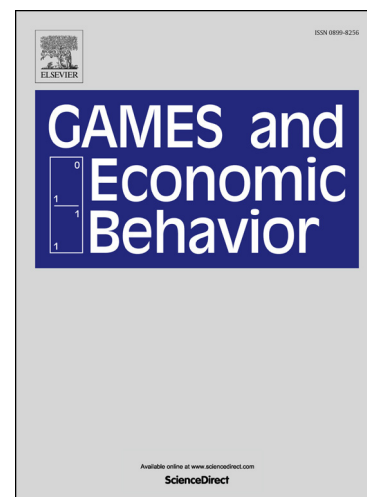
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Highlights

- Should the patentee of a technology, whose ability to reduce cost is uncertain, attempt to discover whether firms could effectively use that technology?
- The answer to this question is fully characterized by the conditional probability of discovery given a failed trial by the inventor.
- *Not* trying is optimal – even in absence of pecuniary costs of a trial – whenever that probability lies below a certain threshold.
- In two important cases, the inventor's decision yields the highest technology diffusion in the industry.

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