

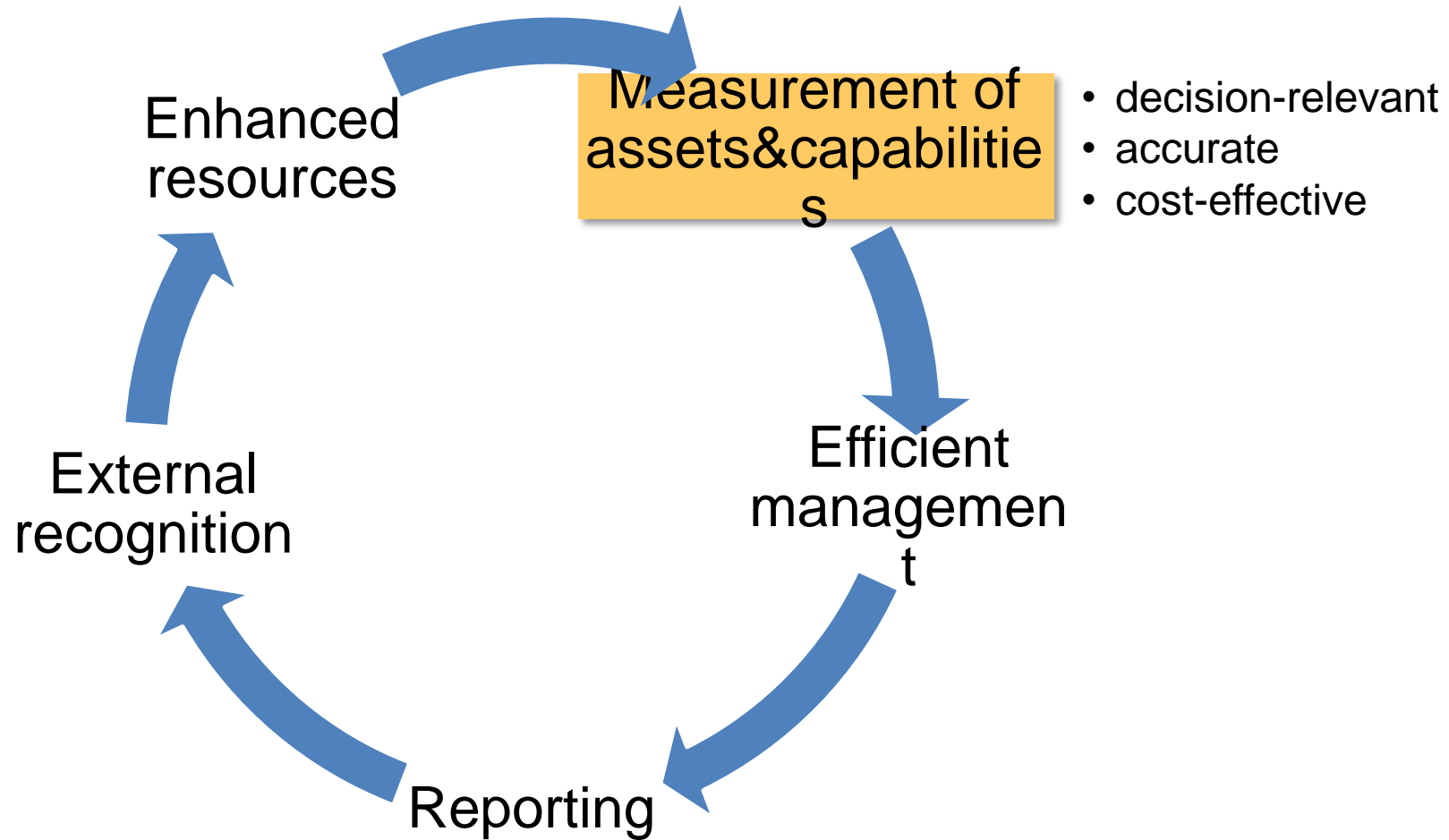
The Patent Asset Index™

IP Benchmarking and Reporting

ICIC 2010, 25 October 2010



PatentSight's mission: The virtuous IP circle



Management and external stakeholders need **quantitative, benchmarked** measures on IP and innovation strength.

Requirements (1)

Clear link to value creation

Transparent and understandable methodology

Standardized indicators

Focus on crucial information

(1) European Federation of Financial Analysts Societies (2008).
Principles of effective communication of intellectual capital.



Structure of this presentation

Clear link to value creation

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Outlook



There is a strong link between patents and profitable innovation.



Europäisches Patentamt
European Patent Office
Office européen des brevets

Publication number: **0 201 184 B1**

EUROPEAN PATENT SPECIFICATION

Date of publication of patent specification: 16.12.92 Int. Cl.⁸ C12P 19/34, C12N 15/10, //C12Q1/68,C07H21/00

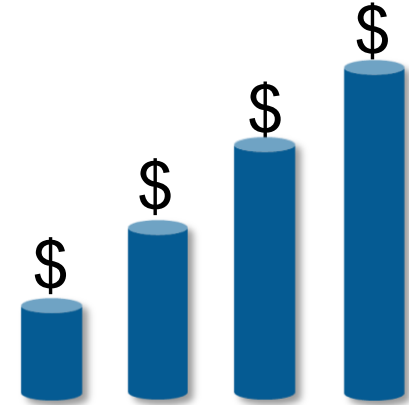
Application number: 86302299.2

Date of filing: 27.03.86

Divisional application 92201226.5 filed on 27/03/86.

Process for amplifying nucleic acid sequences.

Technology strength measured by Patent Asset Index™



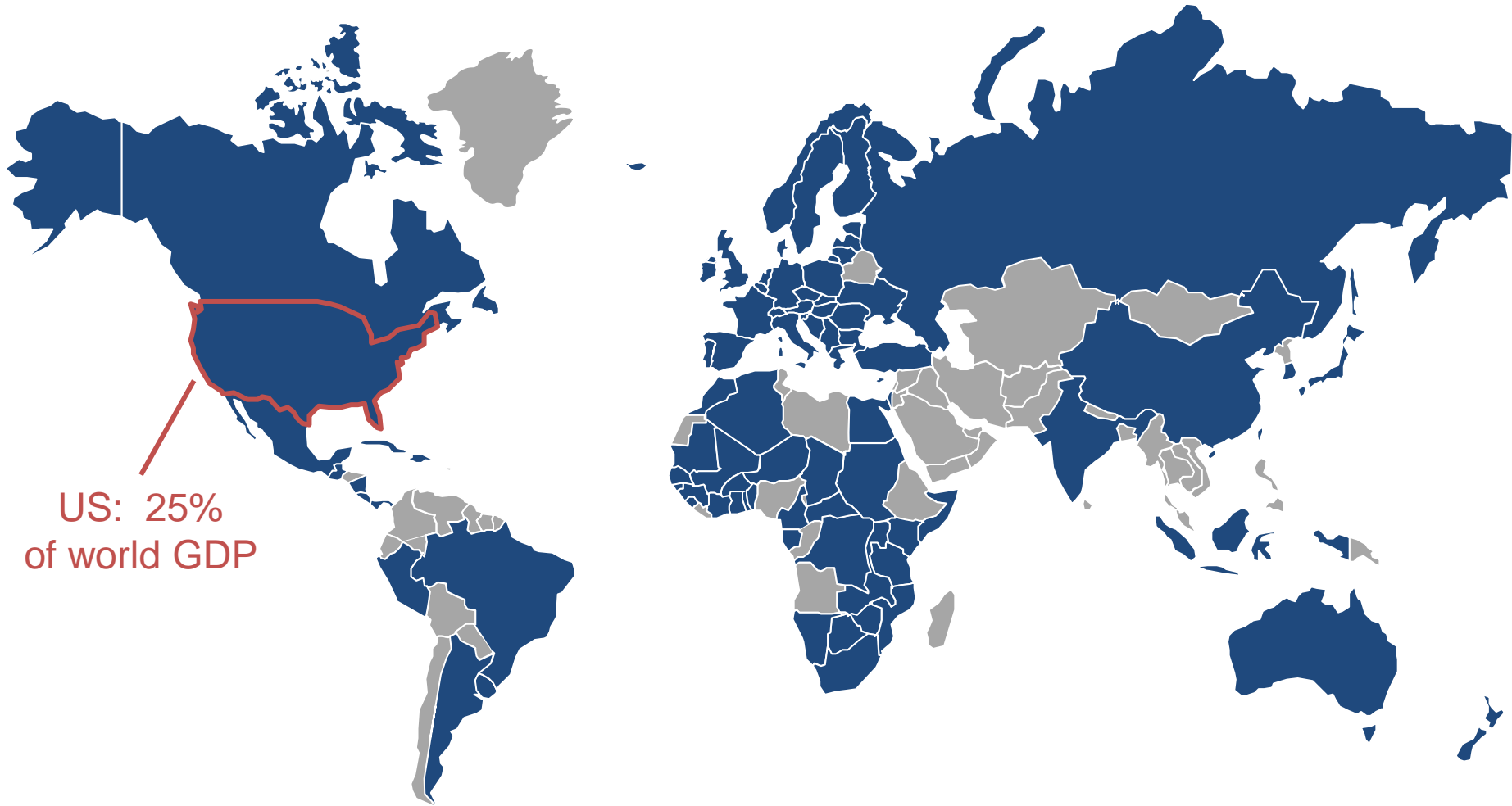
Important inventions

Strong patents

Profitable innovation



An innovation's value is realized across global markets.
IP strength needs to be benchmarked globally.



US: 25%
of world GDP

PatentSight coverage: 90% of world GDP

Overview

Clear link to value creation

Transparent and understandable methodology

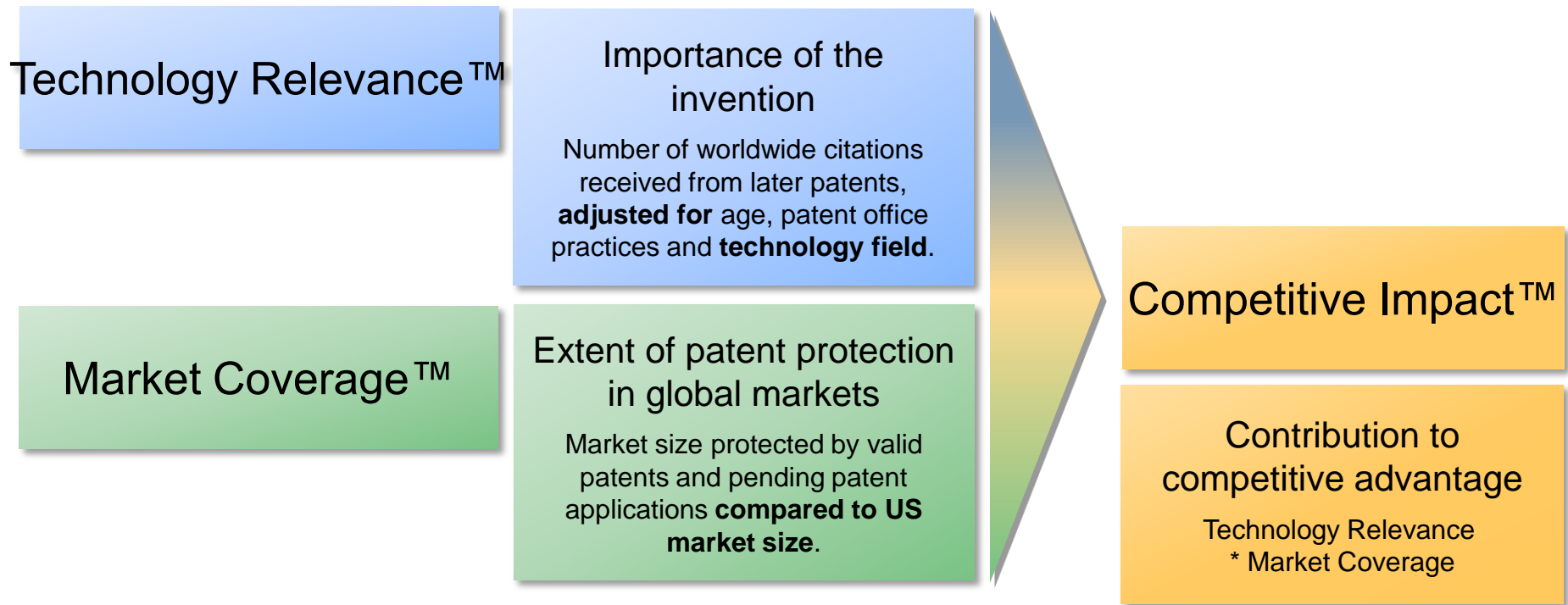
Standardized indicators

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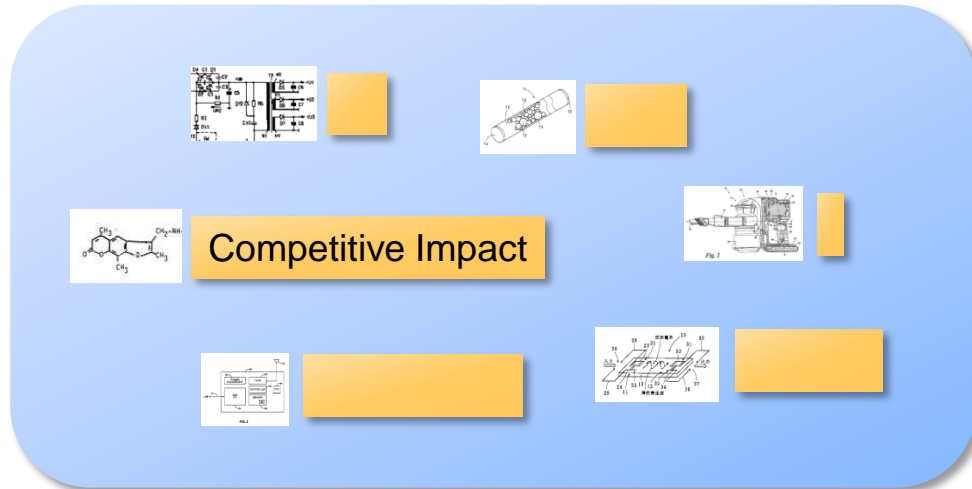
The Patent Asset Index™ is based on the assessment of each individual patent family in a portfolio.



The same standardized Competitive Impact™ measure is used for all patents across all industries.

Published in: Ernst, H. and Omland, N.: "The Patent Asset Index - A New Approach to Benchmark Patent Portfolios, World Patent Information (forthcoming)

The Patent Asset Index™ is the overall Competitive Impact™ of a portfolio.



Patent Portfolio

Step 1:
Competitive Impact™ of each patent family is calculated.



Patent Asset Index™

Step 2:
The Competitive Impact™ of all patent families is summed up.

The Patent Asset Index™ is comprehensive and precise.

The Patent Asset Index™

Other Methods

Global

Unbiased international comparisons

Entire active global patent portfolio

Biased

<10%

Accurate

Extend of protection of markets

Importance of each individual invention

Neglected

Aggreg. level

Transparent

Full disclosure in scientific publication.
Understandable, theory-based indicators.

Metrics
not disclosed

Up-to-date

Coverage from first date of public disclosure

3-5 years
delay

The method was validated on the basis of 74.732 patents.

Group A (37.366 Patents)

Patents attacked by competitors which remained fully valid.

Harhoff et al. (2003): On average 11 times more valuable than other patents

Group B (37.366 Patents)

Patents dropped by patent owners within 6 years from patent grant (maintenance fees not paid).

Pakes (1986), Schankerman (1998): low patent value

	Competitive Impact™	
	Av.	St. Dev.
Group A - attacked	7.8	14.3
Group B - dropped	0.7	1.1

Competitive Impact™ score of Group A (important patents) is much higher.

Source: Ernst, H., Omland, N. (forthcoming), The Patent Asset Index - A New Approach to Benchmark Patent Portfolios. WPI.

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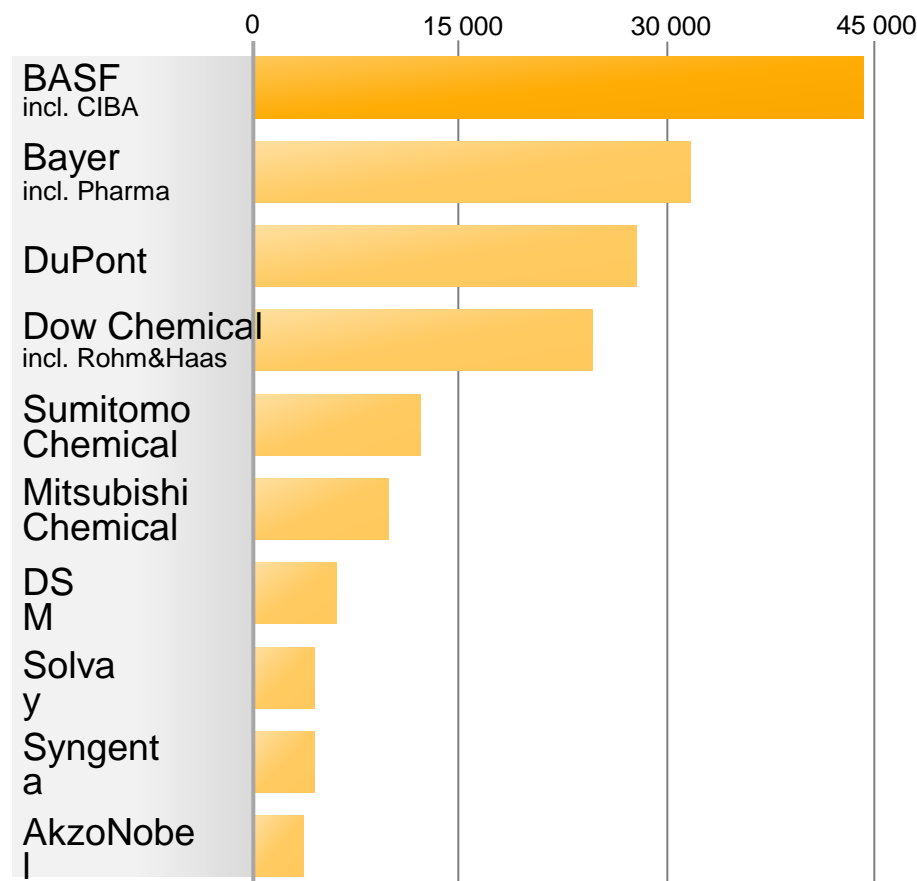
Outlook



The Competitive Impact™ of patents can be aggregated to provide “the big picture”.

Patent Asset Index™

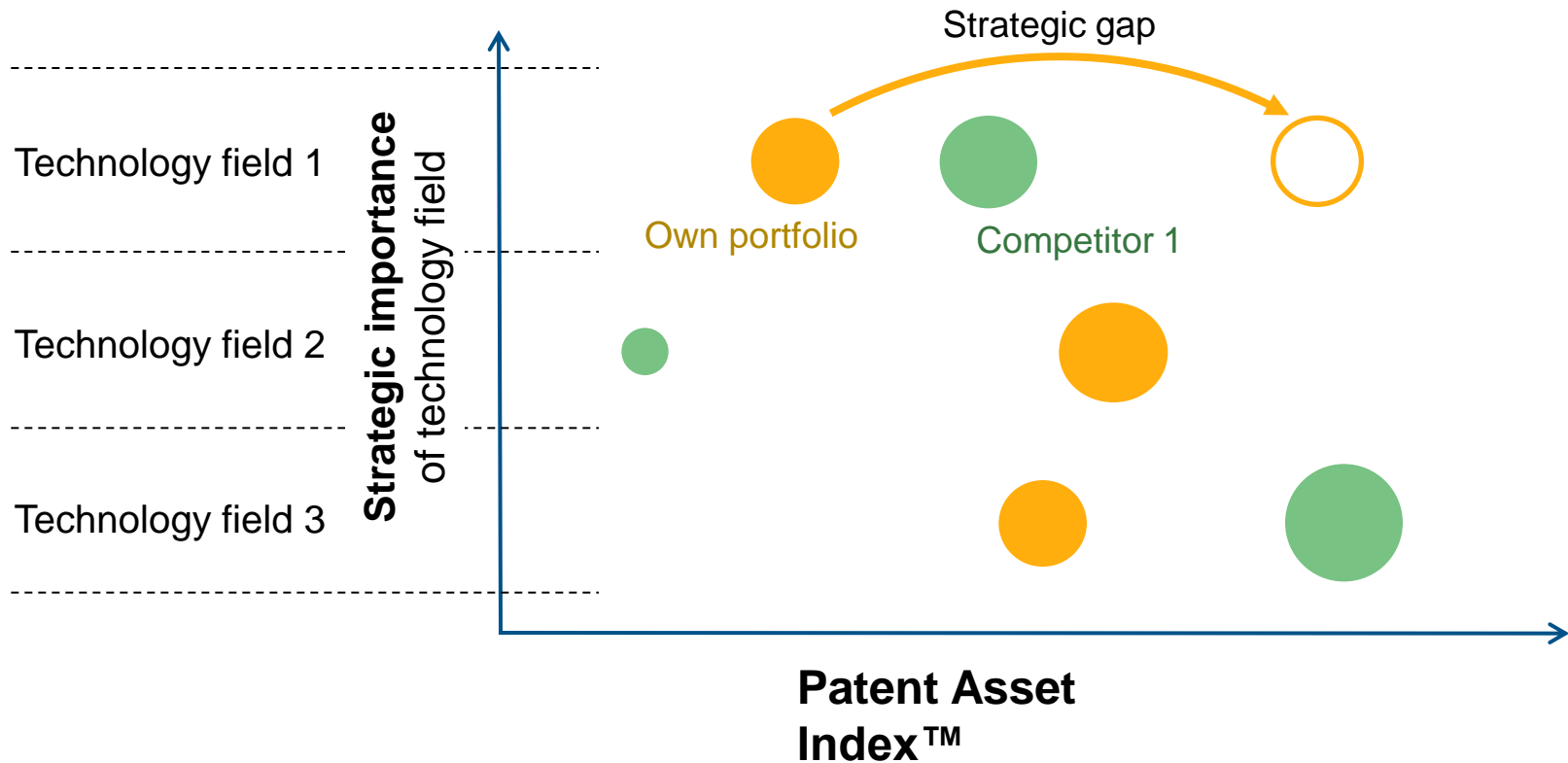
Overall Competitive Impact
Equivalent number of average patents



Benchmark of the 10 chemical companies that invested most in R&D in 2008. Patent Portfolios as of Dec 31, 2008.
Source: Ernst, H., Omland, N. (forthcoming), The Patent Asset Index - A New Approach to Benchmark Patent Portfolios. WPI.



The Patent Asset Index™ enables the efficient visualization of technology-based competitive strategies.



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The Patent Asset Index™ is a valuable indicator for executives.

“We are in complete support of this new method, which takes into account the **quality and quantity** of innovation and provides a result that not only allows the company to **benchmark** against its peers, but also provides an **accurate, overall view** of the impact and efficiency of an enterprise’s investment in innovation.”

Dr. William F. Banholzer

Executive Vice President and Chief Technology officer

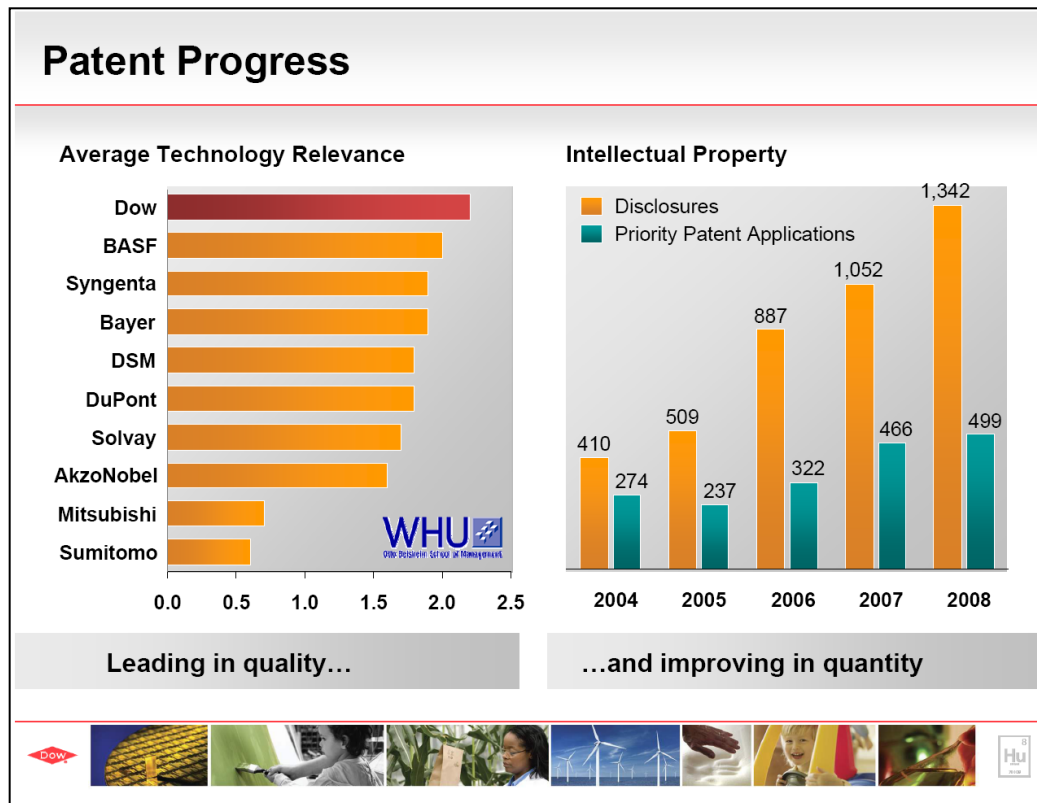


Source: Press release by The Dow Chemical Company on October 12, 2009



The Patent Asset Index™ supports global IR communications.

Dow Chemical Company Investor's Day 2009



Patent Asset Index™ supports global IR communications.

BASF Group Annual Report 2009

6 We create chemistry BASF Report 2009

We create chemistry

Around 105,000 employees contribute to the success of the company, through their commitment, performance and with intelligent solutions.

Six examples demonstrate how we combine this success with advantages for our customers, shareholders, employees and the environment. In this way, we create value – for BASF and for society.

Ciba acquisition expands portfolio

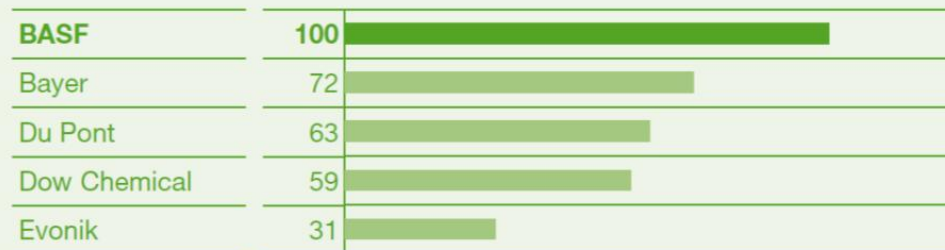
Tinosorb enhances BASF's range of UV protection filters →page 7

Number one in the Patent Asset Index

The insulating material Neopor is based on one of BASF's strongest patent families →page 21

BASF the leader in Patent Asset Index

Patent Asset Index (standardized, as of December 31, 2009)
An indicator of companies' innovative strength¹



Source: WHU Prof. Ernst



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Scientific expertise: selected publications

Ernst, H., Omland, N. (forthcoming)

The Patent Asset Index - A New Approach to Benchmark Patent Portfolios

World Patent Information

Ernst, H., Conley, J.G., Omland, N. (2008)

Patent Strategies and their Impact on Value Creation: A Contingency Approach

Working Paper, Vallendar/Evanston.

Fabry, B., Ernst, H., Langholz, J., Kösters, M. (2006)

Patent Portfolio Analysis as a Useful Tool for Identifying R&D and Business Opportunities

World Patent Information, Vol. 28, pp. 215-225.

Ernst, H., Fabry, B., Soll J.H. (2004)

Enhancing market-oriented R&D planning by integrated market and patent portfolios

Journal of Business Chemistry, Vol. 1, Iss. 1, pp. 2-13.

Ernst, H. (2003)

Patent Information for Strategic Technology Management

World Patent Information, Vol. 25, Issue 3 , pp. 233-242.

Ernst, H. (1997)

The Use of Patent Data for Technological Forecasting: The Diffusion of CNC-Technology in the Machine Tool Industry

Small Business Economics, Vol. 9, No. 4, pp. 361-381.

Ernst, H. (1995)

Patenting Strategies in the German Mechanical Engineering Industry and their Relationship to Company Performance

Technovation, Vol. 15, No. 4, pp. 225-240.