Trends in Patent Valuation

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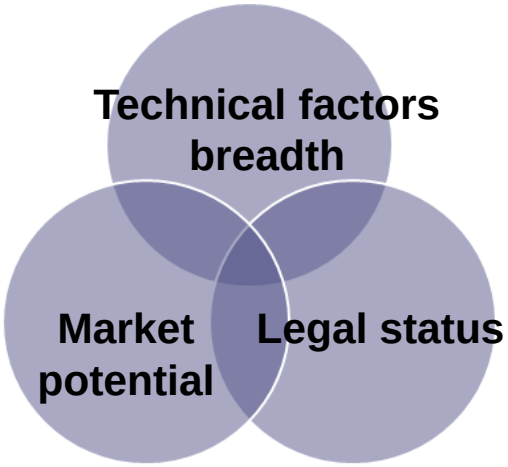
“Classical “ patent rating

- Rating means ranking by quality but not Value
- One patent appraisal adviser, one method

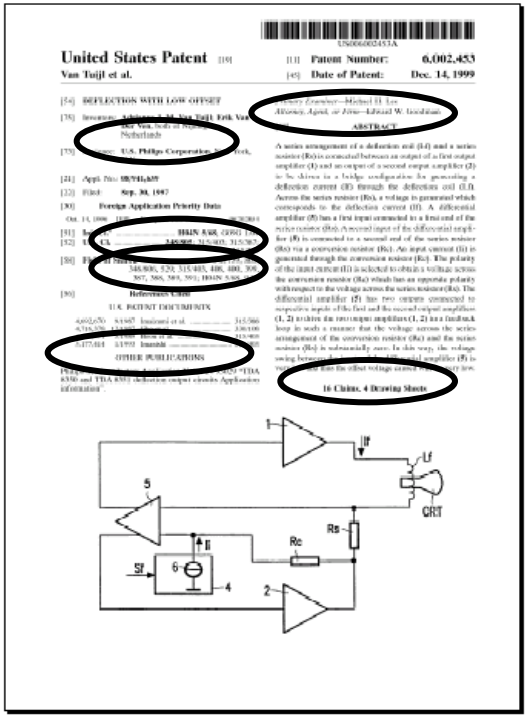


-Complex
-Multidisciplinary team
-Time consuming, costly
-Non objective
-”Naked” patents
--Field vision vs Global market potential
-Scarcity of public financial data

Has led to simplified, less reliable, but easily manageable scoring methods

Patent rating metrics

- A lot of parameters could have an impact on patent quality
  - Number of independent claims
  - Number of dependent claims
  - Average length of independent claims
  - Shortest independent claim
  - Type of claims
  - Patent class/subclass
  - Patent pendency period
  - Scope and content of cited prior art
  - Relative earliness of priority date
  - Forward citation rate
  - File history details
  - Number of related patents
  - ….
  - Law firm
  - Researcher



Improved patent rating process

About 100 econometric studies

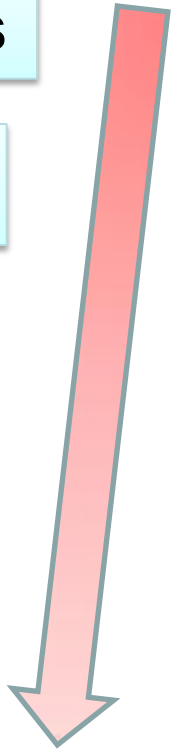
Expert vs (Expert + computer)

Select a relevant set of predictive parameters

Set-up guidelines to calculate them

Calculate composite indices* reflecting internal goals

Introduce « private » data set

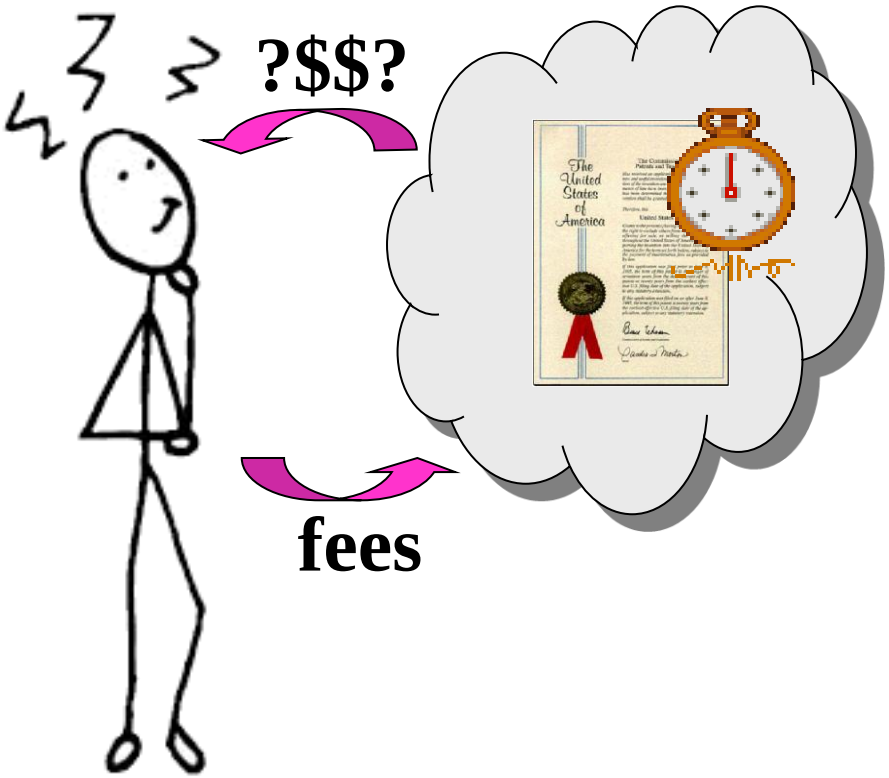


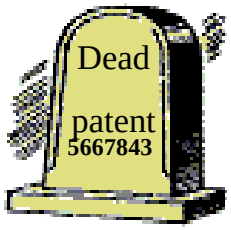
* see OECD Patent statistics Manual, 2009

Automated rating tool

- **IPQ** (Ocean Tomo) :
  - USPTO data,
  - Statistical correlations allowing for measuring and comparing **patent quality : " relative value"**
  - Intellectual Property Quotient "IPQ"
  - Higher IPQ, more chance :
    - **to get a higher gross profit margin**
    - **to be licensed or commercialized**

“To Pay or Not to Pay…..



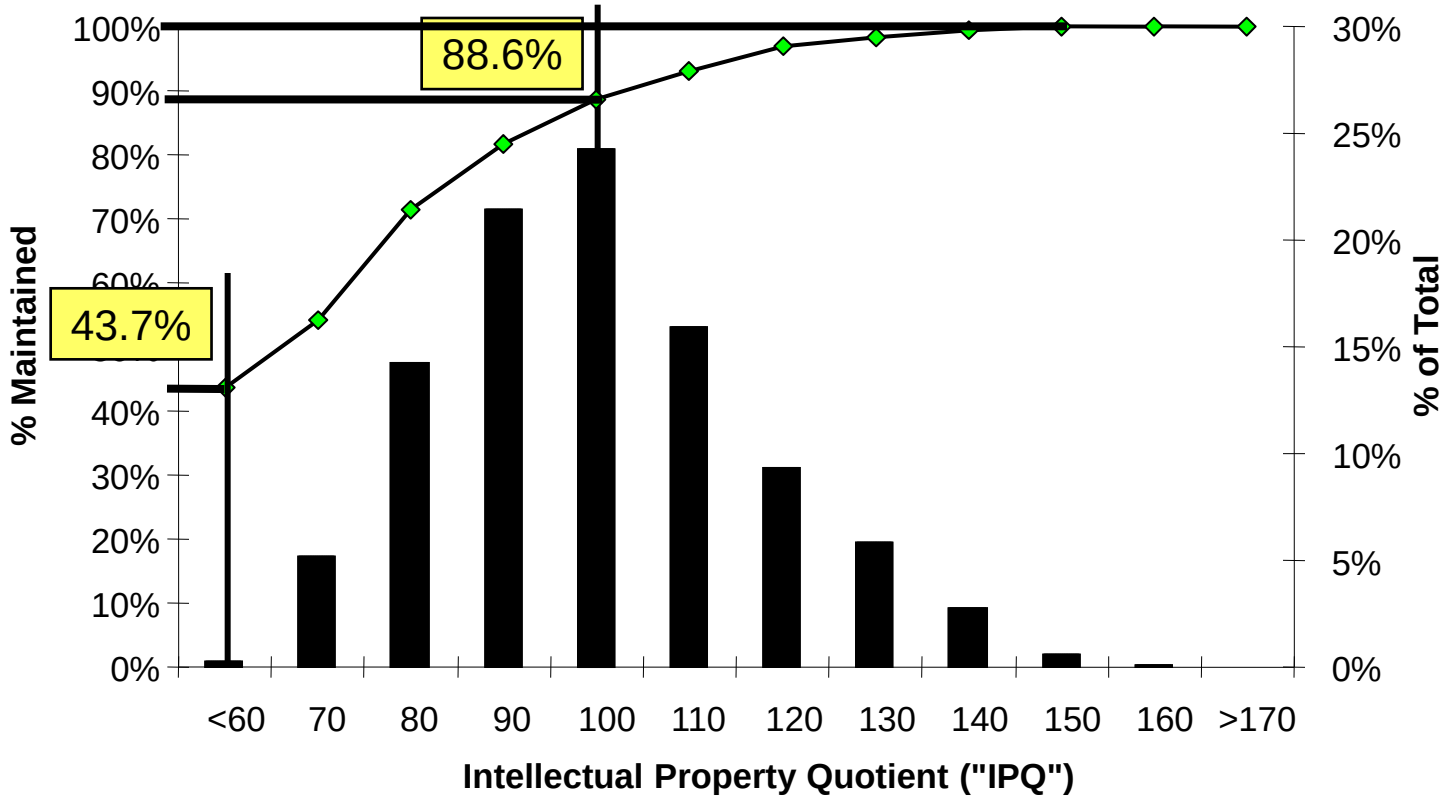


Source Ocean Tomo

Maintenance fees

- Patent owners have unique knowledge of their own patent assets and internal value assessments
- Timely review
- Patent maintenance/abandonment decisions are an expression of Value

An Objective Rating Score - IPQ



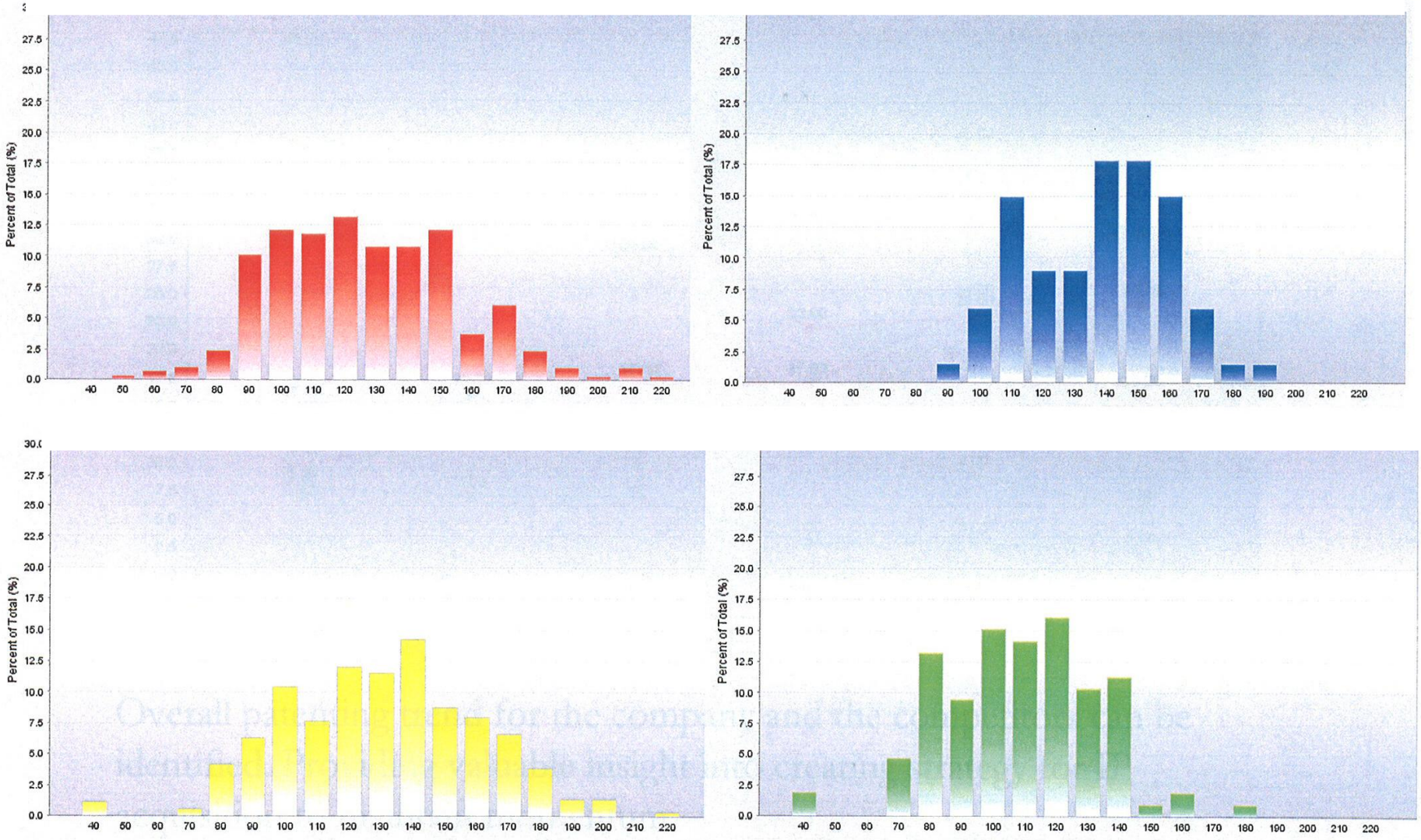
Higher IPQ Score correlates to
a higher probability of patent maintenance (longer life expectancy)

Source : Ocean Tomo

Ideal automated rating « process »

- Select the most predictive metrics
- Create a « transparent « algorithm
- Take into account :
  - Geographical areas
  - Business field
  - Intended use
- Validated by practionners
- Regular improvement by expert community (Wiki)
- Feeded by financial data (Licensing deals or patent sales)

⟹ **Able to identify the best and worst patent**s



Patent quality distribution for 4 similar companies. The IPQ scores represent quality of patents.

OCEAN TOMO

Creation of a worldwide standard of rating

- USA, Europe & Japan soon.

  → Reference

- Anybody can analyze any patent portfolio of any company or PRO and publicly release this information .
- Ranking of the most innovative companies
- Creation of an Innovation index
- Possible impact on :
  - Market capitalisation,
  - patent portfolio management,
  - shareholders,
  - class actions…

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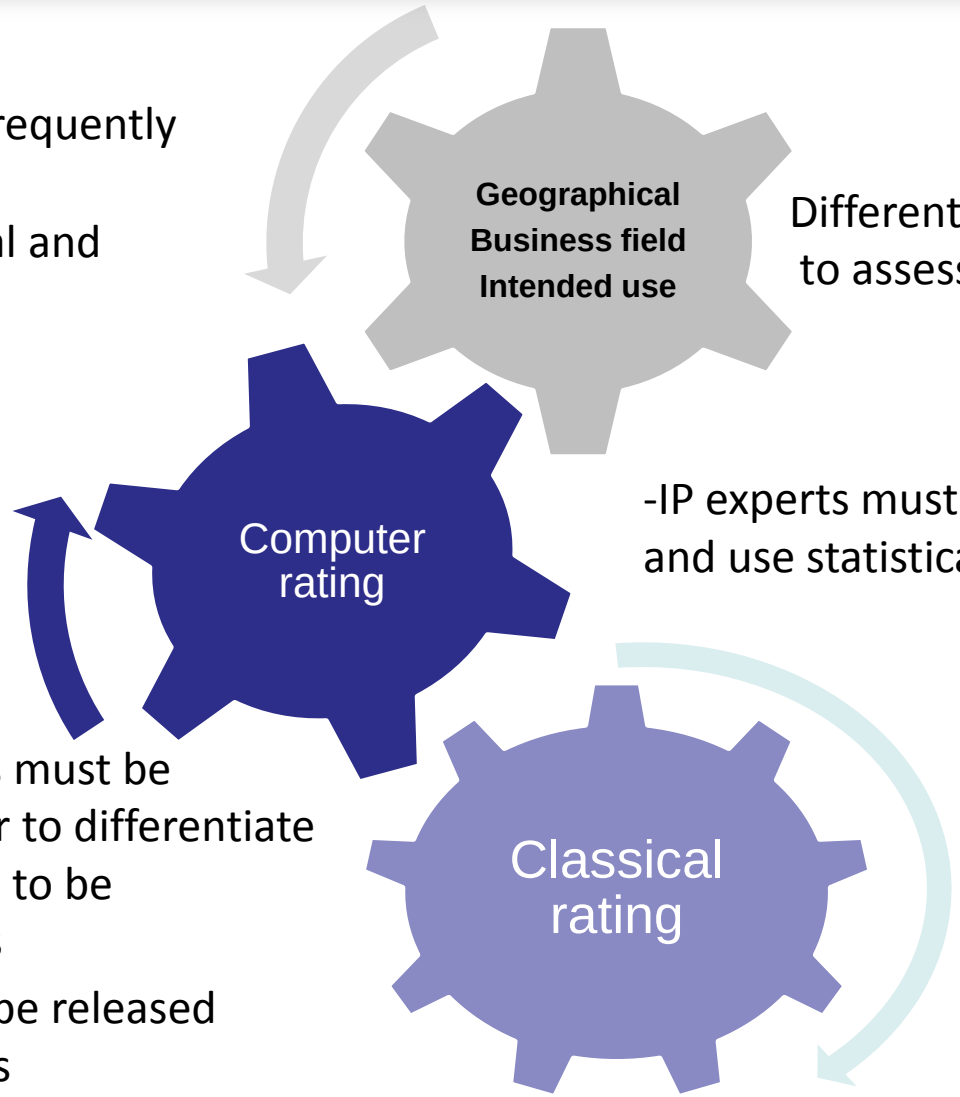
Rating trends and consequences

-Patent value is still frequently underestimated

-Combining Statistical and Classical approaches is mandatory



Different angles are needed to assess the quality of a patent

-IP experts must be trained to calculate and use statistical patent metrics

-Good patent portfolios must be better qualified in order to differentiate Innovative and « seems to be innovative » companies

-Useful tools may be released In less than 2 years

Thank you for your attention

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