



The reasons for evaluating and valuing patents

*Patent valuation and commercialisation – making the most of patents for business
European Patent Academy, Athens, Greece, 20-21 March, 2014*

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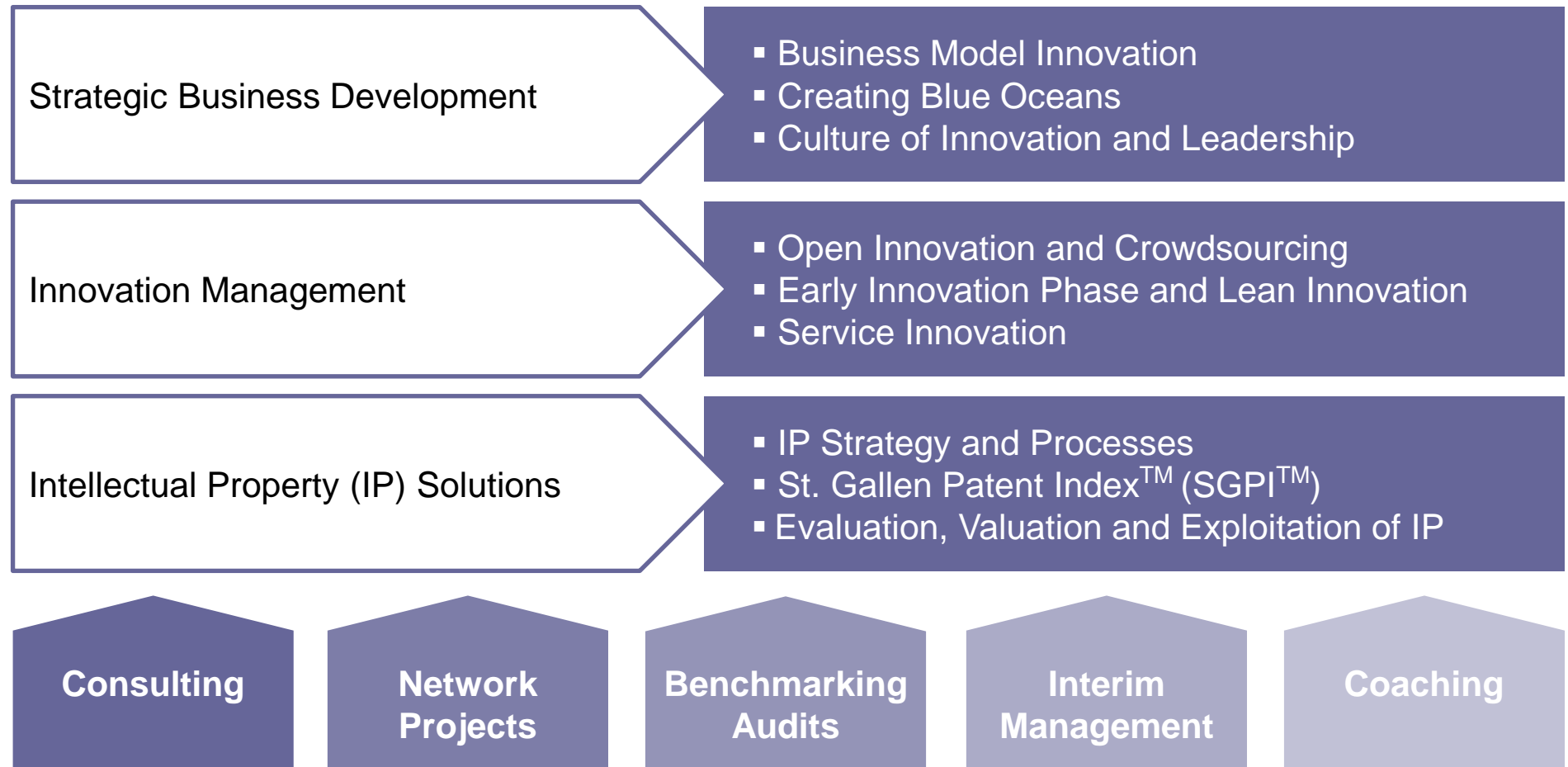
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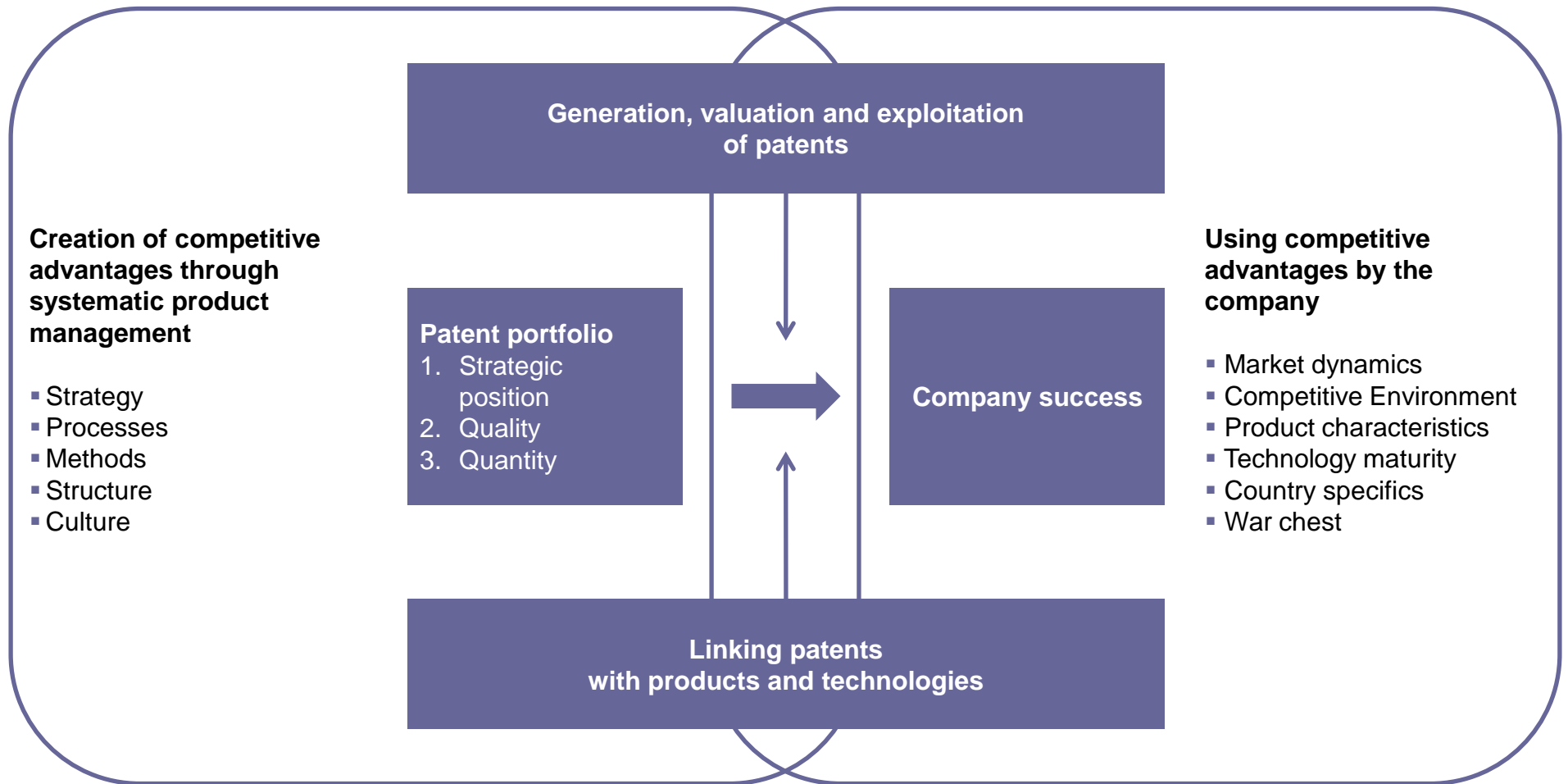
BGW AG – Spectrum of Competences

The IP and Innovation Management Spin-off from University of St. Gallen



The Impact of a Patent Portfolio on Company Success

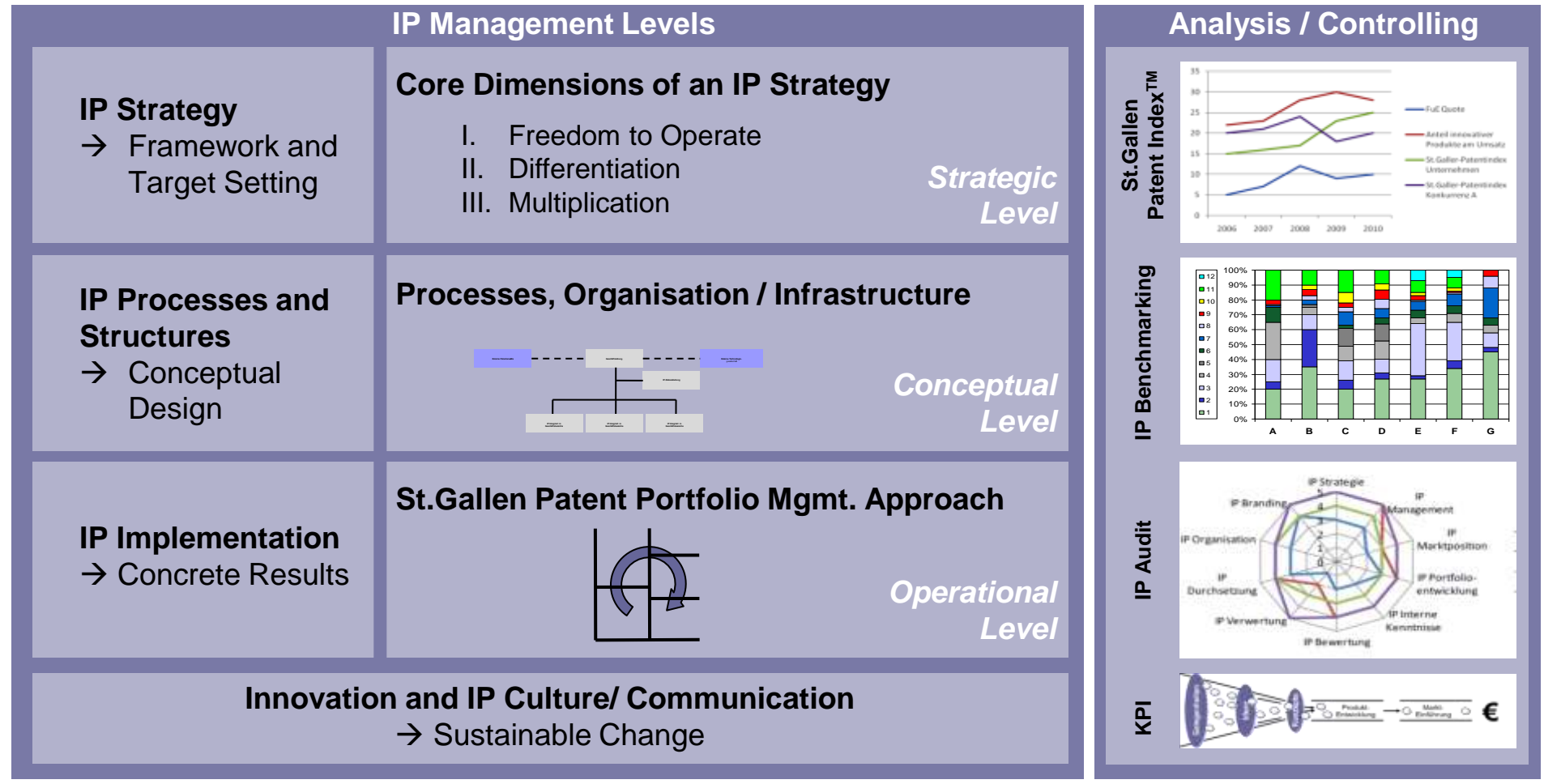
What value has a valuable patent portfolio for the company?



Source: Gassmann & Bader, 2011

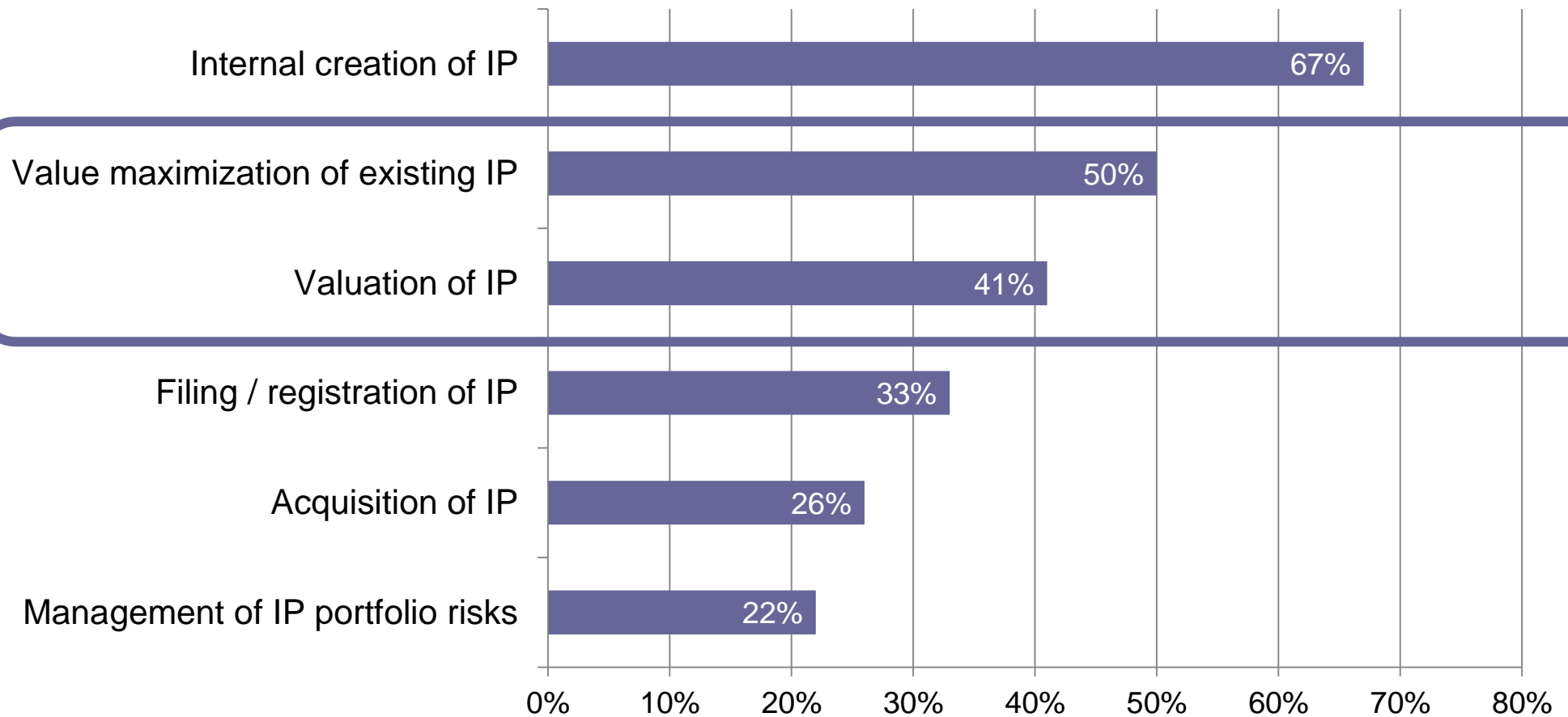
BGW's St.Gallen IP Management Navigator TM

A holistic approach based on a focused strategy is the recipe for success – Continuous performance analysis supports the implementation



IP creation as an important aspect of value creation

Which of the listed IP related challenges are the most important for your company? (max. 3 answers)



Source: Study "Exploiting intellectual property in a complex world", PwC 2007

There are numerous reasons for valuing patents

- **Management driven reasons**
 - Allocation of budgets
 - Monitoring and control of research and development
 - Management of patent portfolio
 - Remuneration for employee inventions
- **Financing and accounting driven reasons**
 - External financing / equity capital financing
 - Patents as securities for loans
 - External reporting (accounting)
 - Voluntary capital market information
- **Tax driven reasons**
 - Shifting of business functions
 - Transfer prices
- **Transfer driven reasons**
 - Acquisition / disposal / merger / joint venture of companies holding patents
 - Cross-licensing
 - Strategic alliances
- **Conflict driven reasons**
 - Determination of compensation
 - Liquidation, insolvency

Study on Patent Valuation Practices in Europe



One Valuation fits all?

How Europe's most innovative companies value technologies and patents

Institute of Technology Management
University of St.Gallen

BGW Management Advisory Group

PRICEWATERHOUSECOOPERS

- Study on 'The practice of evaluation of technologies and patents'
- Collaborative research conducted for PricewaterhouseCoopers (PwC) by the Institute of Technology Management at the University of St.Gallen (ITEM-HSG), Switzerland and its Innovation and IP Management spin-off BGW AG, and Shearman & Sterling LLP
- Europe's top 500 applicants before the European Patent Office
- <http://www.bgw-sg.com/>

Five Theses on Patent Valuation Practices:

1. In the knowledge economy, technologies and patents are still expected to be important.
2. Patents are highly assessed but treated modestly.
3. Nature and scope of the valuation occasions indicate that there is considerable untapped value.
4. Income-based valuation approaches are the most widely used in companies.
5. Companies would welcome a generally recognized valuation approach.

Source: Bader, M.A.; Beckenbauer, A; Gassmann, O.; König, T; Lohwasser, E.; Menninger, J. (2008): One Valuation Fits All?—How Europe's Most Innovative Companies Value Technologies and Patents. Munich

Thesis 1: In the knowledge economy, technologies and patents are still expected to be important

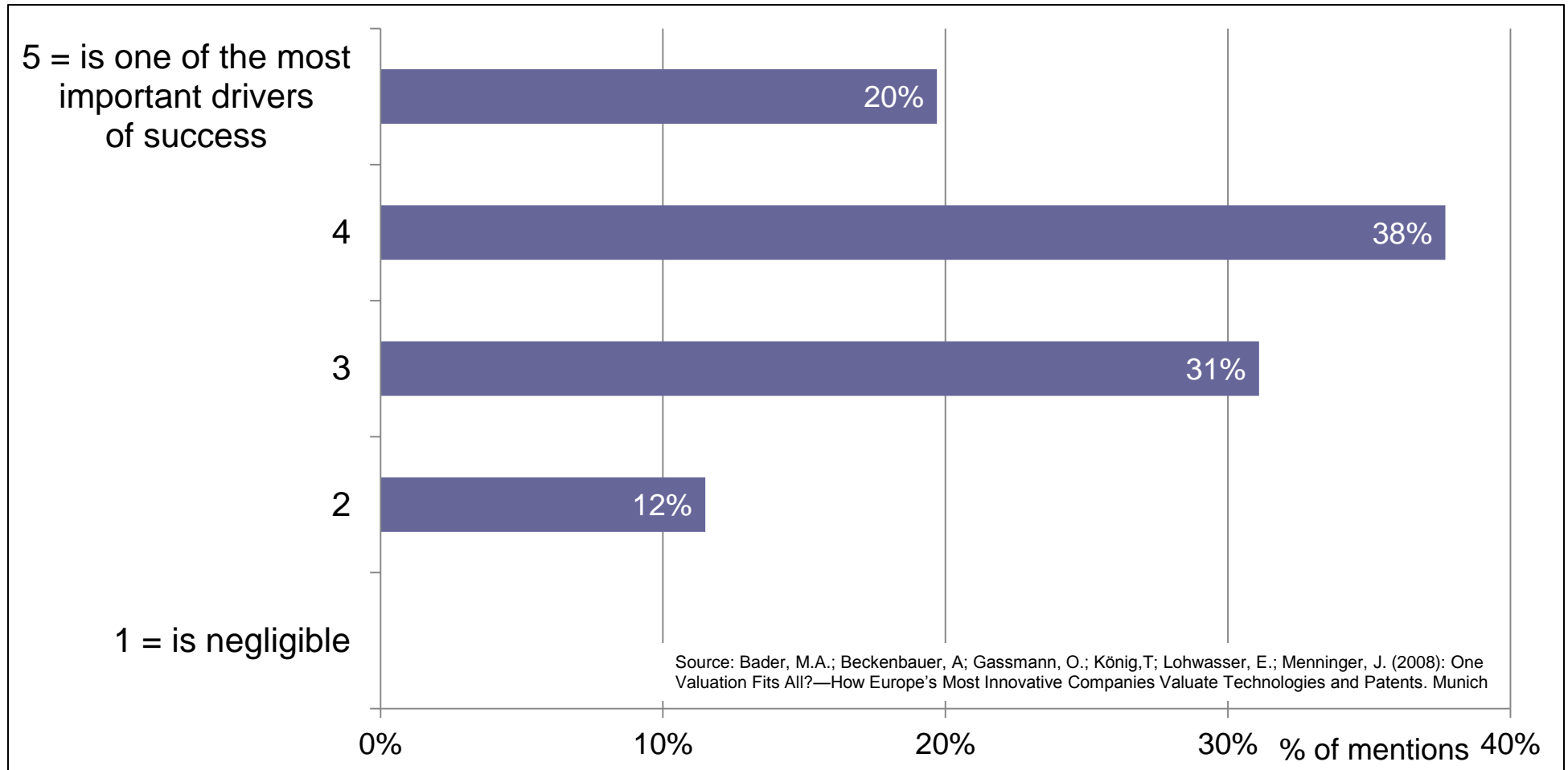


Figure 2. Patents as drivers of success

Thesis 2: Patents are highly assessed but treated modestly

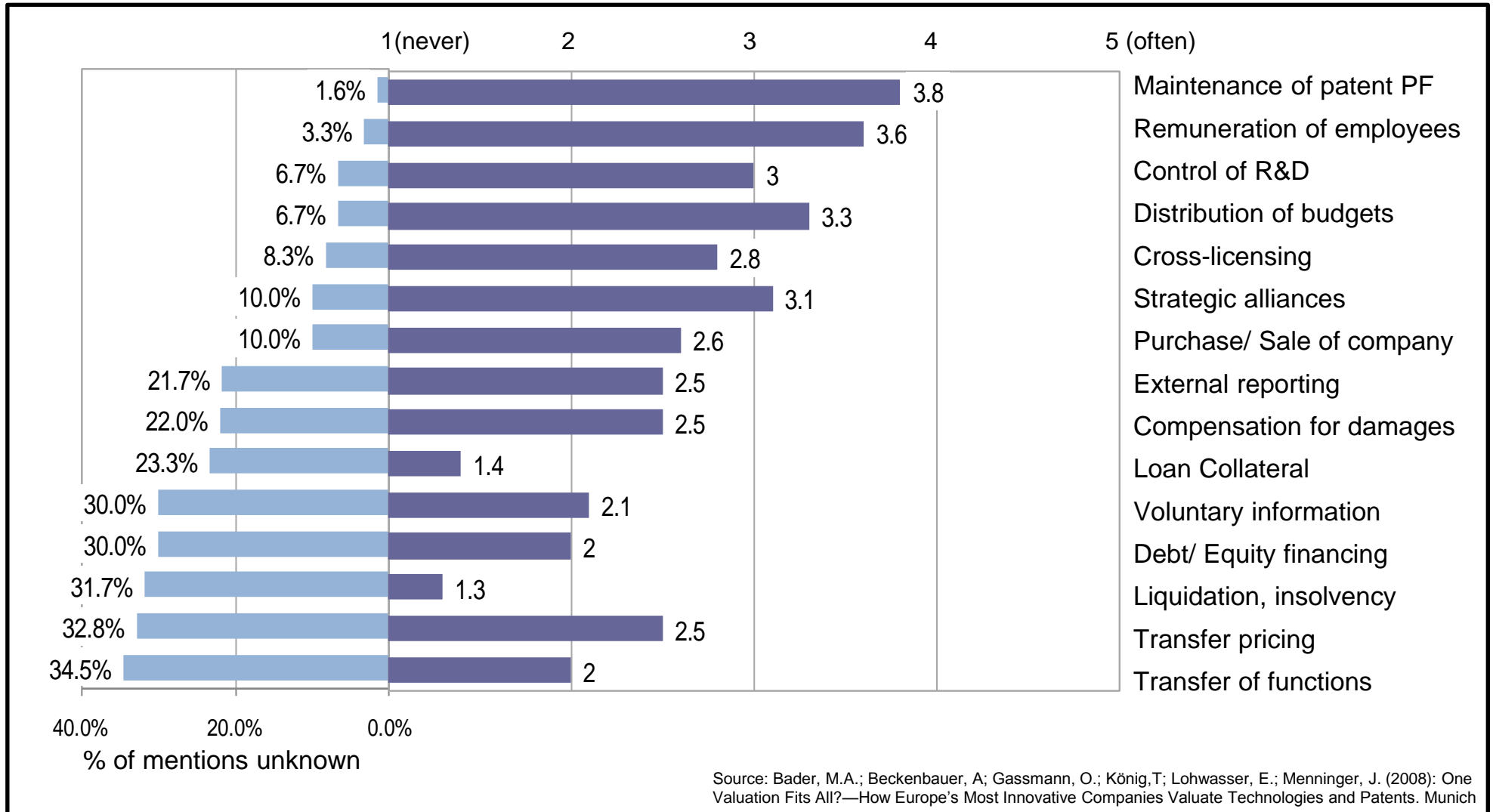


Figure 3. Occasions for valuation of patents and technologies

Thesis 3: Nature and scope of the valuation occasions indicate that there is considerable untapped value...

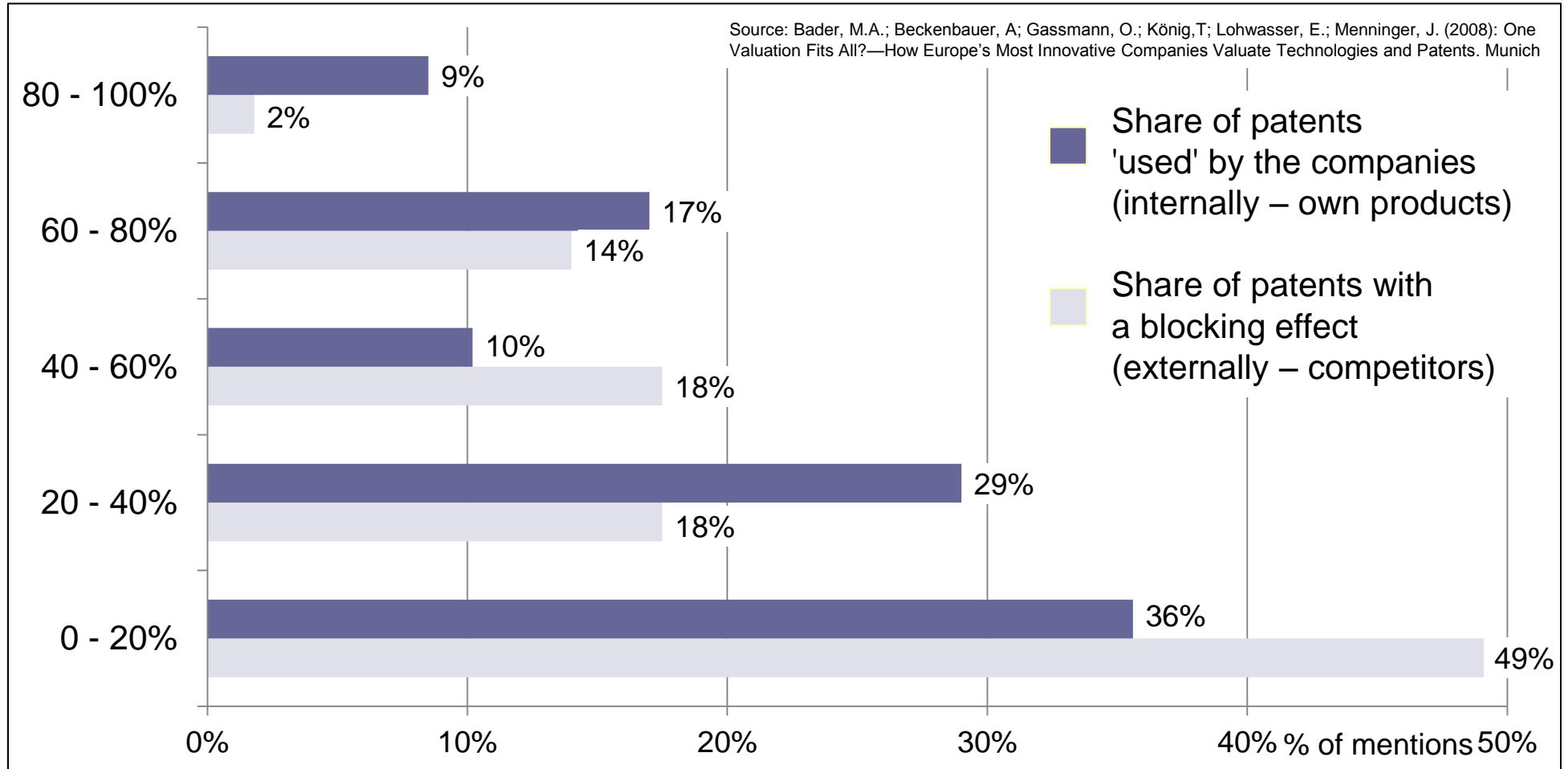


Figure 5. Patents with blocking effect and patents used by the companies themselves

... However, the companies' perception is that value-oriented innovation management is well established

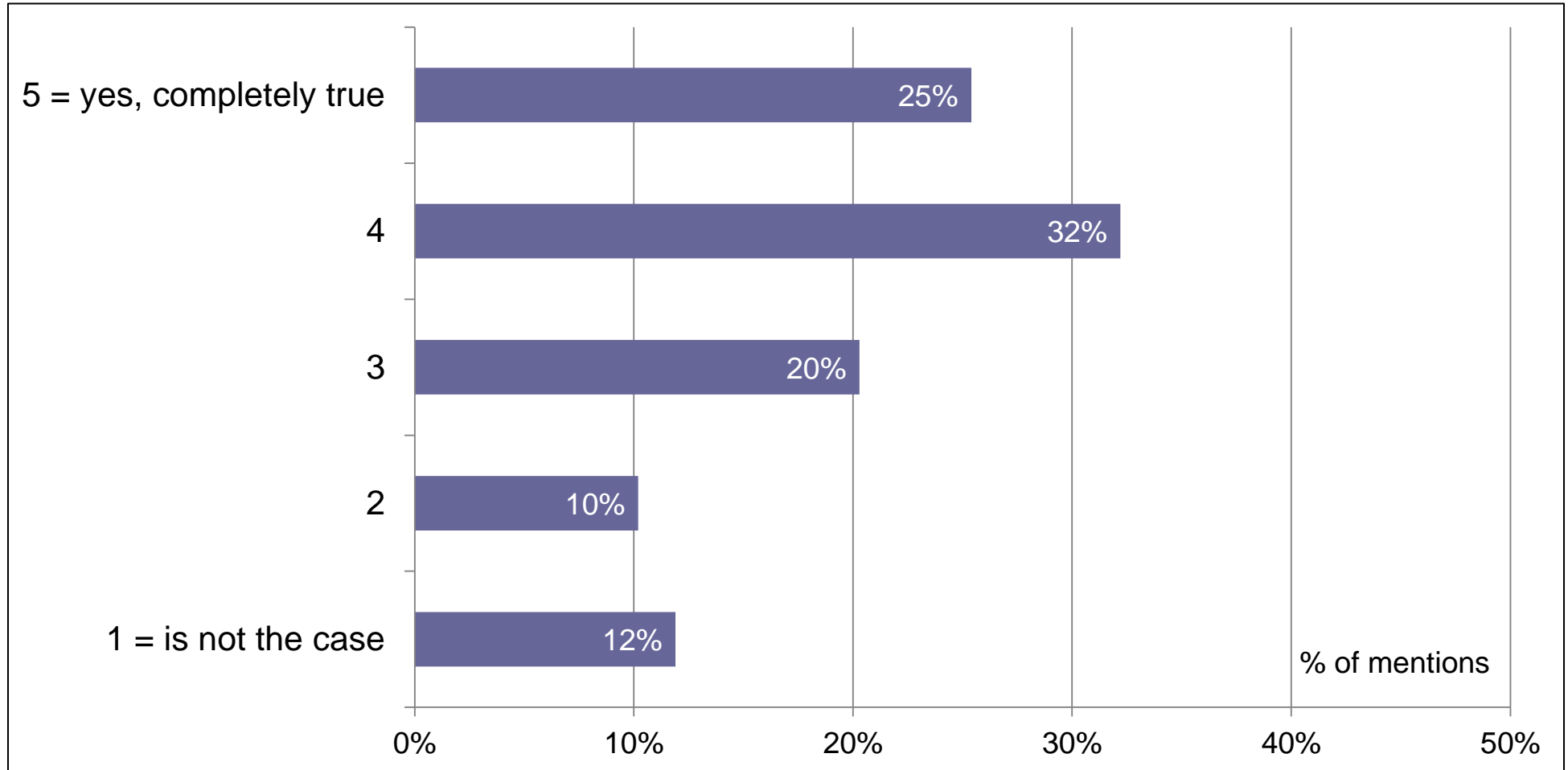


Figure 6. Value-oriented innovation management

Source: Bader, M.A.; Beckenbauer, A; Gassmann, O.; König, T; Lohwasser, E.; Menninger, J. (2008): One Valuation Fits All?—How Europe's Most Innovative Companies Value Technologies and Patents. Munich

Valuation approach types should not be seen as opponents

Pro and contra of monetary and non-monetary valuation approaches

Valuation approach	Strengths	Weaknesses
Monetary	<ul style="list-style-type: none"> ▪ Can be used for all valuation occasions. ▪ Has the potential of being standardized and is comparable in different companies. ▪ Can fundamentally be aligned to the needs of both the capital market and the company. 	<ul style="list-style-type: none"> ▪ Many different methods ▪ Standardization and comparability not yet fully developed
Non-monetary	<ul style="list-style-type: none"> ▪ Often tailored to the circumstances of the particular company ▪ Can easily be adjusted to changes in requirements 	<ul style="list-style-type: none"> ▪ Not suitable for capital markets or accounting purposes ▪ Isolated solution

Source: Bader, M.A.; Beckenbauer, A; Gassmann, O.; König, T; Lohwasser, E.; Menninger, J. (2008): One Valuation Fits All?—How Europe's Most Innovative Companies Value Technologies and Patents. Munich

All main valuation approaches are used in practice

How often are monetary valuation methods applied?

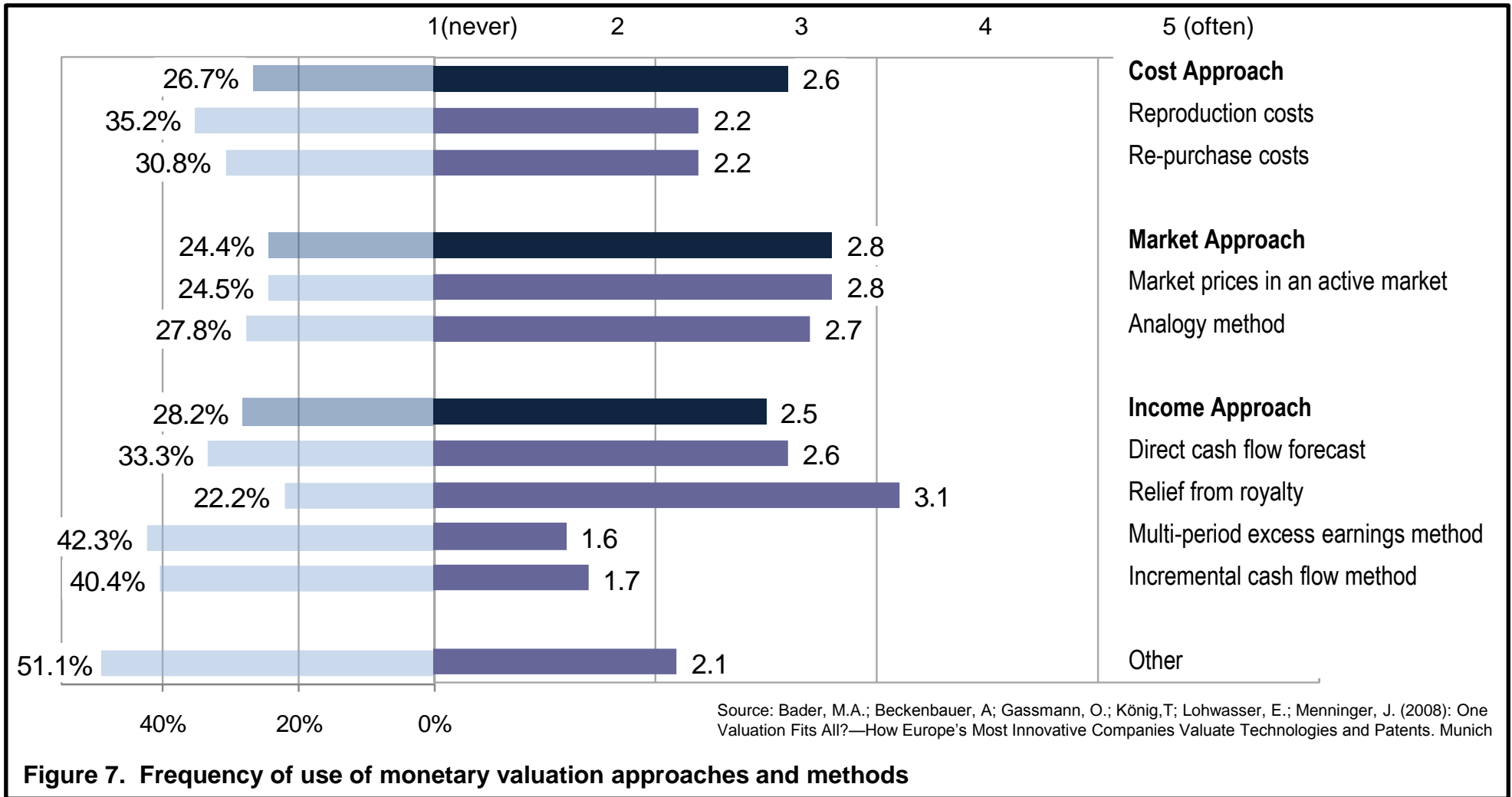
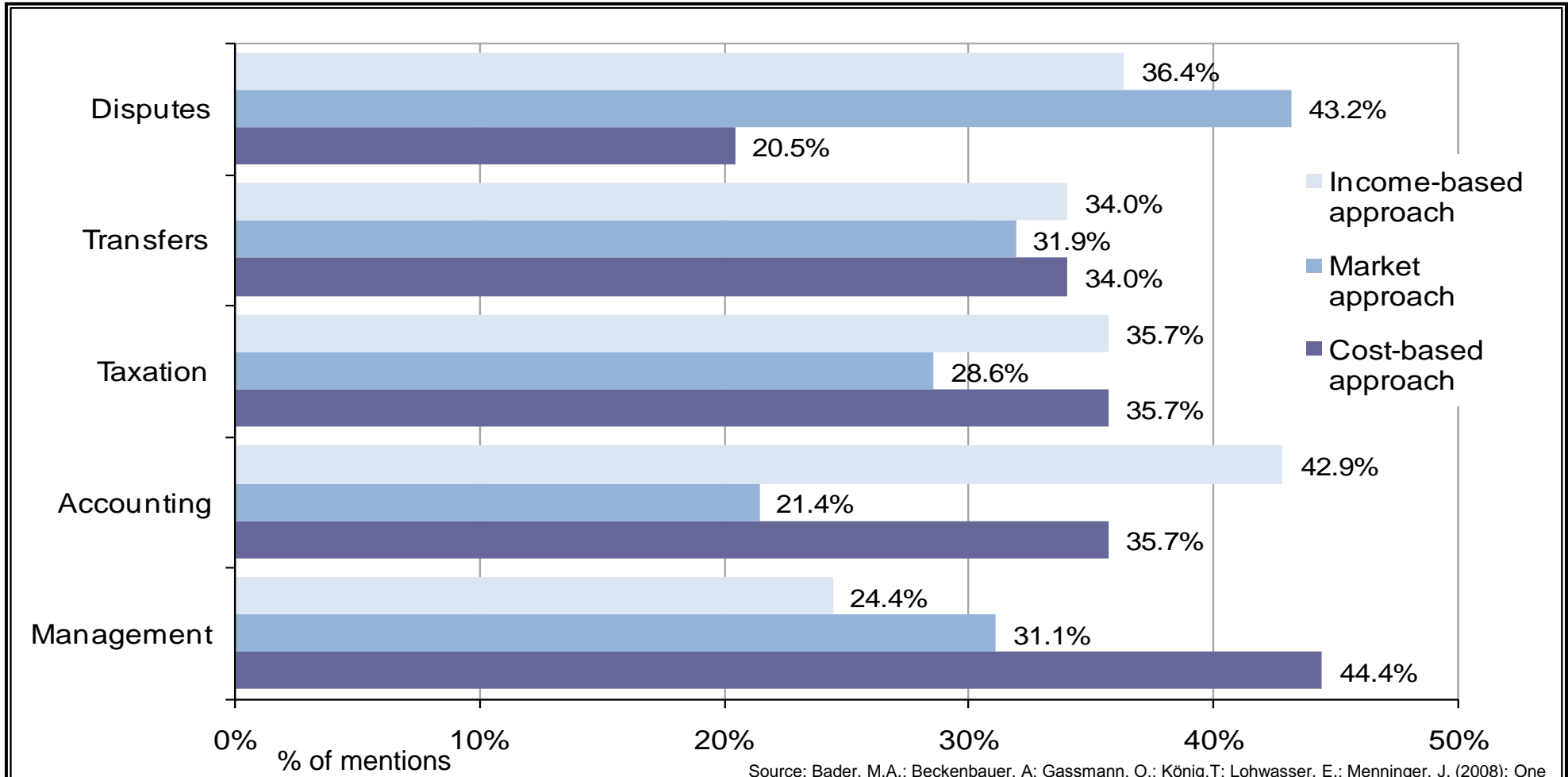


Figure 7. Frequency of use of monetary valuation approaches and methods

Thesis 4: Income-based oriented valuation approaches are the most widely used in companies



Source: Bader, M.A.; Beckenbauer, A; Gassmann, O.; König, T; Lohwasser, E.; Menninger, J. (2008): One Valuation Fits All?—How Europe's Most Innovative Companies Value Technologies and Patents. Munich

Figure 8. Occasions for valuation of patents and technologies

Thesis 5: Companies would welcome a generally recognized valuation approach...

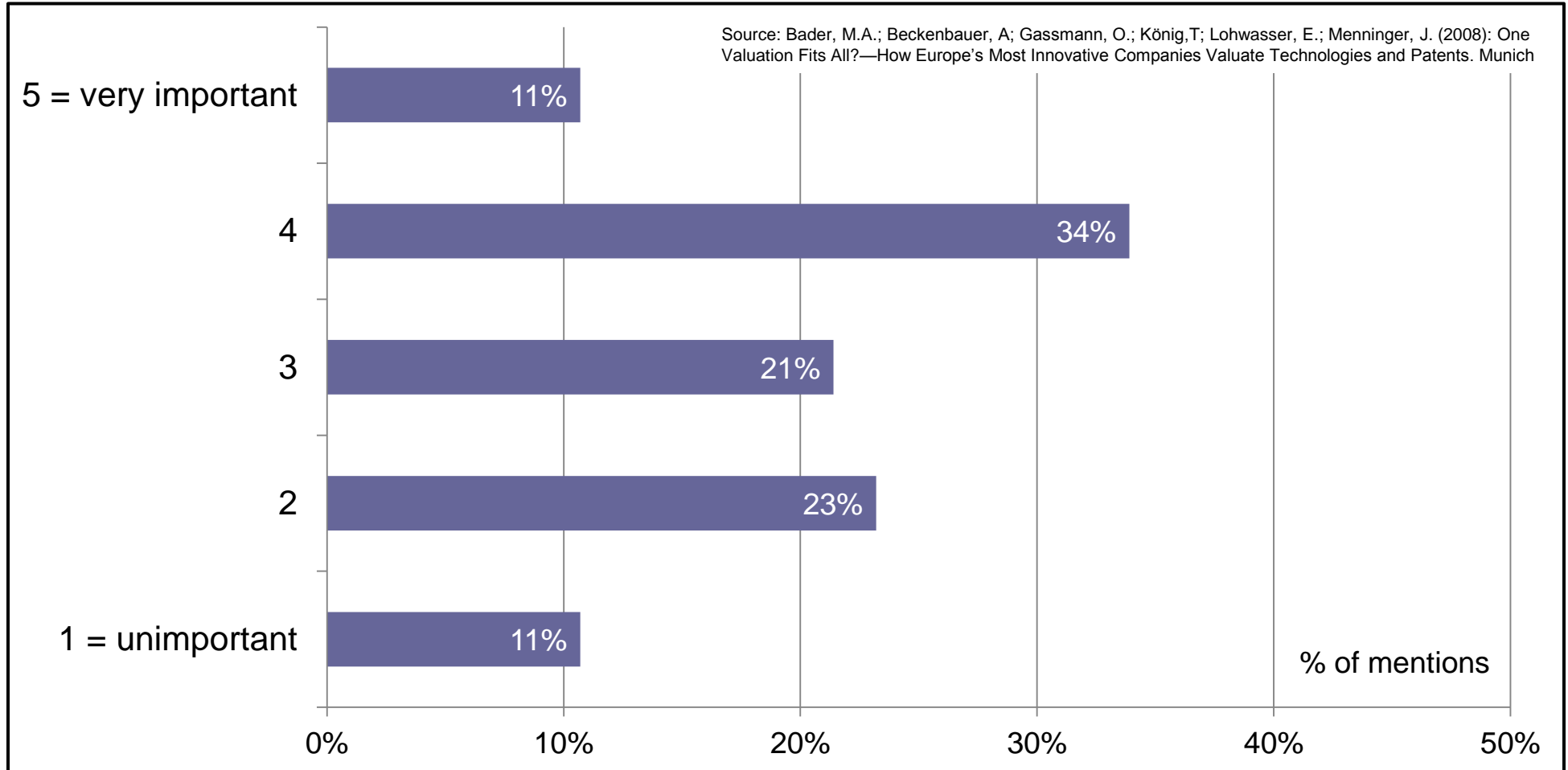


Figure 11. Importance of generally recognised valuation methods

Summary

The Five Theses on Patent Valuation Practices Based on the Valuation Study

1. In the knowledge economy, technologies and patents are still expected to be important.
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4. Income-based oriented valuation approaches are the most widely used in companies.
5. Companies would welcome a generally recognized valuation approach.

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The new value question:

'What is beyond classical IP protection and its exploitation as value basis?'

Some anonymised quotes:

- *"We are not interested in the \$-value of our IP: It is meaningless – it changes from day to day."*
- *"The new question is: 'Is IP right?'
– Should one instead of building IP fortresses build other fortresses?"*



Thank you for your attention.



Dr. Martin A. Bader
BGW AG, Managing Partner