



Rating inventions, patent applications & granted patents

By Donal O'Connell, Chawton Innovation Services Ltd., United Kingdom

The concept of rating things

A motion picture rating system is designated to classify films with regard to suitability for audiences in terms of issues such as sex, violence, substance abuse, profanity, impudence or other types of mature content. The movie rating system used in the United States was created in 1968, with the rating system originally consisted of four ratings but now including five. The body that assigns these ratings is the Rating Board, located in Los Angeles.

A credit rating estimates the credit worthiness of an individual, corporation, or even a country. It is an evaluation made by credit bureaus of a borrower's overall credit history. Credit ratings are calculated from financial history and current assets and liabilities.

A rating is the evaluation or assessment of something, in terms of quality (as with a critic rating a novel), quantity (as with an athlete being rated by his or her statistics), or some combination of both.

Rating inventions, patent applications and granted patents.

This concept of rating also can be applied in the world of intellectual property, and specifically to inventions, patent applications and granted patents. Intellectual property rights are valuable assets for any business, possibly among the most important that it possesses. It is therefore imperative that the relative importance of each and every case is known. This should not be a surprise to anyone involved with intellectual property, but still there are many organisations who have not embraced this concept and who do not rate their cases, thus in essence treating all their cases as being of equal importance.

The very nature of innovation means that inventions can vary from incremental through to radical, can relate to products, services, process or business models, and can refer not just to that 'what', but also to the 'who', 'how' and 'where'. The innovation process involves ambiguity, controversy and non-linearity, and this is also reflected in inventiveness, a subset of innovation. What is the importance of each invention is a crucial question to answer.

The sheer volume of patents alone means that a rating scheme should add considerable value. According to the WIPO Indicators Report published in 2010, but based on 2008 data, approximately 1.91 million patent applications were filed across the world in 2008. There was an estimated 6.7 million patents in force across the world at that time, while the total number of potentially pending applications across the world stood at 5.94 million. Although these are global numbers, it is not uncommon for many large corporations to have tens of thousands of patents in their own patent portfolios.

The diversity of such IP, both in terms of its maturity, its geographical coverage as well as the applicable technology again means that a rating scheme should bring benefits. That WIPO reports highlights the diversity of the patent applications across such fields as computer technology, electrical machinery, telecommunications, life sciences including analysis of biological materials and biotechnology, medical technology and pharmaceuticals, optics and semiconductors plus environment-related technologies.

Patenting can be expensive, therefore, costs must be weighed carefully and managed well. Cost management involves the planning, coordination, control and reporting of all cost-related aspects. One should identify all costs and make informed choices about options that will deliver best value for money, but knowing the importance of each case can help greatly when prioritising.

Patents adds value in multiple ways from providing freedom of action, protecting product differentiation, generating revenue, granting business influence, enabling a technology, bringing cost competitiveness, supporting technology out-licensing through to providing positive image. Just how much value each case brings can be reflected in its rating.



Examples of schemes in use by companies

Based on benchmark data, there is no 'one size fits all' when it comes to rating schemes in use across organisations and corporations. Some opt for a very simple two level scheme marking cases as either strategic or tactical or even as 'in use' or 'not in use'. Others have designed and implemented more complex schemes for example using a scale from 1 to 5, with one being the least important and five the most important.

Is the invention to be implemented in 'our own' products or services? Does the case offer licensing opportunities? Is the invention likely to be implemented by 3rd parties? Does the case offer some control point over some technology of interest to the industry? Does the invention relate to some unique selling feature or function of 'our' product(s) or service(s)? Has the invention been submitted and adopted by some Standards Setting Organisation, and thus qualify as 'essential IP'? Does the case align well with 'our' key products and/or key 3rd party agreements or contracts? What is the possible use of the invention in the future, particularly if it links to some fundamental research? These are just some of the questions which may be asked in order to rate a case and assign it its score or level within the rating scheme.

Rating a case over time

When should a case be first rated, and when should this rating be reviewed again, and possibly be updated? Benchmark data suggests that it is best to first rate a case when it is first reviewed at a formal patent board or patent committee meeting when the decision is taken to file a patent application.

This rating should however be reviewed and updated as necessary at all key milestones in the patent processes, for example when any 'office actions' are received from the Patent Examiner, when the case is filed in foreign jurisdictions, when the patent application is published at eighteen months, when the case is granted, if and when any objections are raised and when any annuity / renewal payments are due.

By creating and implementing a process by which the rating of a case is reviewed and updated if necessary at all key milestones, this compels the question "how importance is this case now" to be answered.

The fact that technology changes, companies change, and industries change over time is one key argument to justify why the rating of cases should be reviewed and updated if necessary at key dates along the patenting process.

How it impacts the key patent processes

Having a rating scheme in place impacts all of the key processes ...

- invention handling,
- the patent board or committee stage where inventions are reviewed and decisions taken as to whether to file a patent application or not,
- the patent application process from first filing through to grant
- foreign filing,
- patent maintenance,
- patent portfolio management.

Different technology areas may have different priorities based on the technology and business strategy of the company. The maturity of the invention may prompt some delay in the process. Certain type cases may provide options for extra divisional filings.

Portfolio management it may be seen as that process to bring alignment of IP with the business, to help gain a deep understanding of what IP you have, and do not have, and to provide guidance on what actions to take. It is basically a means to link and synchronise all of your IP activities together. The rating of cases is critical to this process. The rating of cases can actually be utilised to help run this particular process in a much more efficient and effective manner.



Best practices

The rating scheme should be formally documented and made available to the key stakeholders in the invention handling and patent process.

It is important that whatever rating scheme is designed and implemented, that it is maintained in a consistent manner over some period of time. Constant changes to the actual rating scheme should be avoided.

The rating of cases should be recorded into the IP data management system, and the associated data field(s) should be handled with the same level of professionalism as any of the other key data fields supporting the key patenting processes.

Transparency is crucial in terms of qualification of the rating inputs, assumptions, risks, sensitivity analysis, and disclosure. If a rating is repeated within a very short period of time, it should reliably give a comparable and reconcilable result. The individual giving the rating should conduct the valuation free from any form of biased judgment.

Any changes to the rating of a particular case should be recorded, indicating the new rating as well as information on who made the change as well as their rationale for making the change together with any supporting material.

Patent classifications systems

Patent classification is a system for organising all patent documents and many other technical documents into relatively small collections based on common subject matter. Each subject matter division includes a major component called a class and a minor component called a subclass. A class generally delineates one technology from another. Subclasses delineate processes, structural features, and functional features of the subject matter encompassed within the scope of a class. Every class has a unique alphanumeric identifier, as do most subclasses. A Patent Classification is a code which provides a method for categorizing the invention.

These classification systems should not be confused with rating schemes. Rating schemes provide a means to rate the importance or value of the case, whereas classification schemes provide a means to identify the technology of the case.

Final thoughts

The importance of intangible assets is growing, often equaling or surpassing the value of physical assets for a company. The state of the intellectual property of a company determines their share and corresponding influence on the market. The size and quality of a company's intellectual property portfolio will have a direct impact on several factors, such as the reputation of the company, the level of returns on investments and their access to the market, amongst others. The way a company is valued has also changed considerably. It is therefore imperative that the associated rating of cases is also treated with the respect that it deserves.

For more information please contact:

Donal O'Connell
Chawton Innovation Service Ltd
United Kingdom
donal.joseph.oconnell@gmail.com
www.chawtoninnovationservices.co.uk