

Patent Portfolios & Patent Valuation

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A Patent Paradox?

1. Overwhelmingly, most individual patents have little or no cash value (highly skewed value distribution)...
2. ... and yet, patenting activity is increasing across essentially every measure.



Portfolios Solve Problems

Scale (“super-patents”)

Eases subsequent innovation

Attracts related inventions

Avoids litigation / improves bargaining /
defensive

Increases voice in political economy of
patent system

Enhances efforts to attract capital

Diversity (“hedging”)

Addresses uncertainty - technology

Expands freedom to research

Addresses uncertainty – future market
conditions

Addresses uncertainty – future
competitors

Addresses uncertainty – patent law



The Portfolio Feedback Loop

1. Increasingly, the game is played at the portfolio level ...
2. ... thus, to be a player, you need to amass a portfolio.



Implications of Patent Portfolios

A system dominated by high-volume, low quality patent strategy.

(Rational patentees trade quality for quantity.)

... this leads to a number of bad effects ...



**Can Improvements in Valuation
(a better market for patents)
Change this Pattern?**



Yes?

Do we need portfolios if we can effectively value individual patents?

No?

Valuation is *ex post*,
strategy is *ex ante*.

Even with solid valuation, enormous uncertainty,
dynamism in the law and the market.

