



VALUATION OF IDEAS AND INVENTIONS

ProficientIP · William D. Bunch · January 31, 2017

Efficiently Protecting Your Technology

William Bunch - Principal

410.493.4245 · william.bunch@proficientip.com · ProficientIP.com

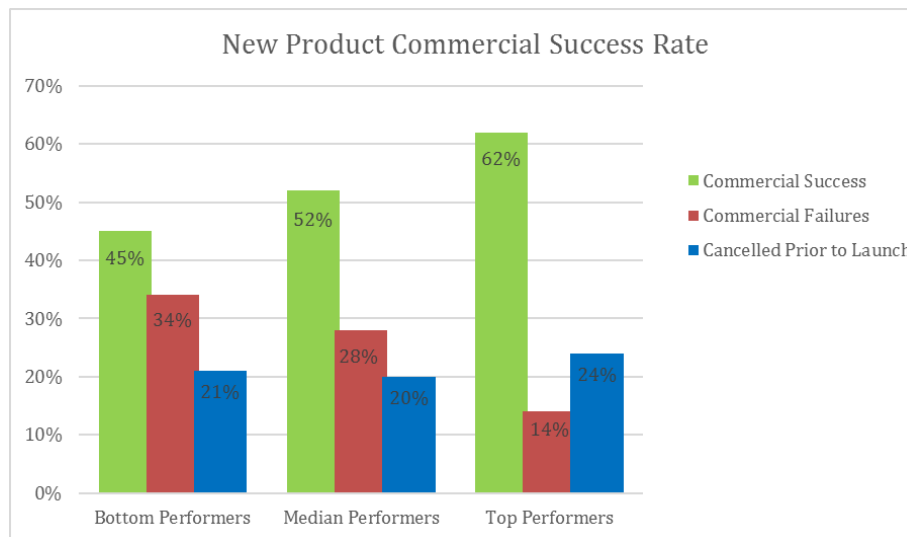
EXECUTIVE SUMMARY

Many companies generate large numbers of ideas and inventions during the course of conducting business that typically represent the future of the organization. New products represent, on average, 35% of organizations' annual sales. However, which of these ideas and inventions should be pursued commercially and protected by patents? Because the costs for new product development and for protecting such intellectual property is enormous, companies need to be selective regarding patent protection of ideas and inventions. By implementing various valuation processes for the review of these ideas and inventions, organizations may efficiently and strategically patent key intellectual property, which may be used to increase revenue and market share.

PROBLEM

Ideas and inventions are typically vetted by most companies using a rating system, which balances various factors that are typically not outcome determinative since either the ratings are not based upon the appropriate factors or the factors are not rigorously evaluated. In particular, the ratings typically are not based upon rigorous and effective market analysis and product valuation. This approach may result in the focus on ideas and inventions that do not create value for the organization, and in addition, waste valuable time, effort, and enormous expenses.

For example, organizations typically invest 5 to 25% of gross revenue per year on R&D with successful product development generating increases in gross revenue at a much lower percentage each year. For example, it is believed that the percentage of new product commercial successes typically range from only 45% for lower performing organizations to 62% for more advanced performing organizations. At such success rates, significant expense and effort is expended on new product development without proportionally increasing revenues. This is evidenced by a survey conducted by the Product Development Institute and the American Productivity & Quality Center published in December of 2010, which is depicted in the graph below:



**Figure 1 –
New Product Success Rate**

Furthermore, expenses for the preparation, prosecution, and maintenance of a single invention using patent protection may well exceed five hundred thousand dollars (\$500,000) over the life of the patent (filed in only 10 countries). The cost for protection of inventions associated with unsuccessful new product development may be significant.

Thus, there is a need for more precise valuation of ideas and inventions so that the enormous amount of time, effort and costs involved with the development of ideas, inventions, and products related thereto, and those involved with protecting such ideas and inventions, may be minimized while at the same time providing significant organic growth via new product development.

SOLUTION

Valuation of ideas and inventions in a manner that is outcome determinative may be accomplished by employing a variety of processes and techniques.

Idea and invention valuation should be employed initially based upon on the commercial viability and marketability of the idea or invention. For example, a complete analysis for the market where the idea or invention will be sold or used must be performed (e.g., market size, growth rate of the market, market trends, market profitability, key success factors, distribution channels, industry cost structure, etc.). In addition, new product blueprinting, including benchmarking, are essential to determine the potential value of an idea or an invention.

Furthermore, each idea or invention should be evaluated in light of an enumerated intellectual property strategy, which reflects the business strategy, and acted upon accordingly. In addition, modification of the ideation or invention generation strategy, may be implemented so as to selectively focus on certain ideas or inventions.

Introduction of the above-mentioned processes may increase new product development success rates and reduce effort and expense needed to development valuable technology, which may then be used to create further differentiating technology. In addition, these solutions will result in a significant increase in new product commercialization.

For example, typical success rates for new product development without initial disciplined market analysis and phase-gate techniques may be quite low, while success rates for new product development with more disciplined market analysis and phase-gate techniques may be more than double that, as mentioned in the above-mentioned study (see Figure 2 below). With even further enhancement of these processes using preliminary intellectual property review, as mentioned above, the success rates may be even further improved.



Figure 2 - Improving New Product Development

CONCLUSION

Many organizations create a significant number of ideas and inventions that have a varying degree of possible opportunities for new product development. Because resources are sometimes limited in organizations, disciplined valuation of ideas and inventions may be difficult to implement. This paper highlights the need for using preliminary intellectual property review, and concise market and product analyses to determine a predicted value to the organization. This review will increase the probability that, with a disciplined product development process, successful product launches will ensue providing additional resources that may be used in other product development that may result in increased organic growth of the organization.

Please contact us and we can work together to improve your new product development process.

THANK YOU.

MORE INFORMATION CONTACT:

WILLIAM BUNCH

WILLIAM.BUNCH@PROFICIENTIP.COM



Efficiently Protecting Your Technology

William Bunch - IP Consultant/Principal

410.493.4245 · william.bunch@proficientip.com · ProficientIP.com

ProficientIP, LLC, 3948 3rd Street South, #267, Jacksonville Beach, FL 32250-5847

Copyright © 2017 ProficientIP, LLC