

# The Patent Valuation Spectrum

Understanding the disparity between market potential  
and buyer value



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**What is my patent worth?** Good question. Thousands of answers. Consider a simpler question – How much could I sell my patent for? At least this question can have a certain answer – it can be sold for however much someone else is willing to pay. It seems like circular reasoning, since you will only know your final valuation after you have a sold patent. Unfortunately, it appears that this doesn't help much in determining where to start.

**So how do we determine where to start?** If we look at the valuation of a patent as being however much someone else is willing to pay, the key to the analysis lies in an analysis of the buyer. Define the buyer, define the buyer's motivation, and you can calculate a value. The tricky part is that patents are complex assets and their uses can vary from one buyer to the next.



Some of the motivations for purchasing or owning a patent include:

- General assertion purposes
- Portfolio building
- Keeping the patent out of the hands of NPE's
- Developing a licensing program
- Supporting a litigation against another party
- Avoiding litigation
- To protect a new business venture
- And so on...



Each of these motivations carries with it a somewhat different idea of the value of the patent. As an example, a patent obtained for portfolio building purposes may only be valued at around the cost of prosecution (\$30K-\$50K range). However, the same patent obtained to support a litigation against another party could save the buyer hundreds of thousands to millions in damages and attorney fees (and thus it would have a value in that range).

In order to give a patent a meaningful valuation, or at least a reasonable value range, many variables need to be evaluated. The varying possibilities of buyer motivations must be investigated with respect to the claim coverage of the patent. Once reasonable ranges are determined for each likely potential buyer motivation, probabilities should be assigned. The probabilities do not need to be exact, in fact it is doubtful that ever they could be. The probabilities will represent the number of potential buyers or the likelihood of locating a potential buyer with a particular motivation. Apply the probabilities to the

value ranges, and with a little simple math you have a reasonable valuation spectrum to work with.

This valuation spectrum will give the patent owner an idea of the potential market value range of the patent, while focusing expectations to the most likely price points.



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