

## Patent Office Stalls State Growth

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In a [recent article](#), the Journal Sentinel's John Schmid reported that the incredible backlog of 1.2 million patent applications has resulted in \$6.4 billion in yearly loss of innovation ("Patent snafus cost U.S. \$6.4 billion yearly"). Attempts to measure the economic impact of innovation all use some assumption and models subject to debate.

Our calculations place the number closer to \$15 billion per year, but this is still only a measure of the primary value of patents, for example as a license fee. In reality, the true value is based on the total business they protect, including sales of products made using these patents.

The actual economic loss to innovative companies can be closer to \$250 billion of sales per year. From this come the salaries of manufacturing employees, sales representatives, managers, receptionists, engineers and other team members of innovative companies. These are all jobs we desperately want to have in Wisconsin.

You may not believe this is possible, but consider just one example. Several years ago, a young company in a rural setting (like much of Wisconsin) had a great idea for a new product using a new design. It is radically different than existing products. It also costs a lot more, but its unflappable manager is convinced its value to consumers will justify the price. Many think him delusional.

His company only has a tiny market share against established competitors, some in business for more than 100 years.

Just as his product was getting some market attention in 2000, a much bigger competitor copied it. In a do-or-die decision, he sued the competitor for patent infringement and won. This gave



him the ability to grow his business and to then dominate his competitors in sales and profits.

If the patents for his product hadn't been approved or had just been interminably delayed (as at least 800,000 currently are in the United States), he probably would have been out of business. No patent, then no patent infringement suit and the competitor would have probably won the battle. Likely, the competitor would have bought the smaller rival for pennies on the dollar.

How many innovative companies will not be able to defend themselves now that the average time to get a patent has almost doubled in the past 10 years?

The little company that grew is Dyson Ltd. of vacuum cleaner fame - now with sales of nearly \$3 billion. This company's 83 utility patents in the U.S. (just directed at vacuums) protect more than \$250 million in annual U.S. sales or about \$3 million per patent.

It is hard to understand how a company in Malmesbury, England (95 miles west of London) could have succeeded, much less overturned big competitors. There is no venture capital for this product segment nor was it thought to be high tech. Yet in less than 15 years, it has become a powerhouse.

Malmesbury, with a population of 6,000, is more similar to Ripon than Silicon Valley. I think if you replace dairy farms around Ripon with 300-year-old sheep farms, you would have a good idea of Malmesbury.

It is also well worth noting that Dyson Ltd is more than just interesting ideas, great patents or colorful products. It is well-run, and its growth is due to everyone being committed to supporting its innovations,

managing their development and being ever impatient with its own progress.

If you need a further measure of their success, consider that six weeks ago, Dyson announced it was hiring 350 engineers, to double its engineering staff to 700. I'm certain with the new products and designs of these engineers, the company also intends to double its total employment to 5,000.

Unfortunately those 350 engineering jobs aren't in Milwaukee or Wisconsin. I'm not aware of any companies hiring so many talented people in Milwaukee at the moment. Many companies are still letting great talent go or are in a state of suspended animation. With the right support, innovation and business management, we (or even Ripon) could have our own Dysons.

However, in the past two weeks, I have seen one good-size company heading to bankruptcy because of no innovation and customers who are turning against its 1980s technology. Unfortunately, when offered new technology to consider, the best answer they can offer is "we are too desperate to consider anything new."

Yet another company seems to be struggling to define itself as top management may not understand how to support the hot, new technology its engineers have perfected. Even a very large company in town can't consider new technologies that can generate substantial growth because it's not in the yearly business plan.

In each case, there is a lack of innovation management at the top. Companies like them cannot lead us out of a recession nor beat the intense competition from China and Korea this way.

Of course, we have had our success in great companies such as QuadGraphics, ABC Supply in Beloit, Logistics Health in La Crosse, Phillips Plastics in Hudson and others, but Milwaukee needs more, many more, new companies to replace the thousands and thousands of jobs we have lost. If a company in Malmesbury can do this, why can't we?

A recent remark from Dyson is worth careful consideration: The company has *doubled* operating profits to \$276 million in the past 12 months, thanks to new products.

We need to support innovative companies and innovators in our own midst to build their new products. As Schmid reported, we could start by getting the U.S. Patent Office to support innovation, instead of delaying its recognition.

John Torinus and others are using BizStarts as a valiant attempt to create new start-up business opportunities here. As to increasing innovation management in our existing companies, either we have to learn to manage innovation better or give up.