

More innovative patents could be less successful

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People, or companies, with more innovative ideas to patent are less likely to succeed than those who stay within the norm, research from ESSEC Business School has found.

Assistant Professor Pooyan Khashabi investigated the extent to which innovation is disclosed in pre-grant patent documents. The findings show that financial analysts can analyse information in patents before they are granted, but if the patent is extremely high quality or innovative, then they're much less likely to understand and therefore make errors.

This could mean that people with possibly life-changing ideas may be knocked back when trying to patent their ideas. Some people may not look for patents at all as a result, and some will ignore their new and creative idea and choose to focus on a less 'risky' venture.

Khashabi took advantage of American Inventors Protection Act (1999) which ensures that the pre-grant public disclosure of all information is available within 18 months of the initial filings. He actually found that, on average, the pre-grant patent disclosure of corporate inventions can significantly improve the accuracy of analyst forecasts. Yet this cannot be said for more original and 'out-there' ideas.

By having a more accurate analysis and forecast, a business idea could be much more successful. It makes it easier to plan if the person behind the patent knows that to expect, or what to avoid. For those with a straightforward idea, these forecasts can prove to be extremely helpful. However, for more unique ideas, the forecasts, or lack of, would not prove to be very useful.

"In fact, companies risk getting penalised by analysts for high quality research and development work," Khashabi says. "While new ideas suggest that financial analysts increasingly have a scientific background and can digest the information, if they make errors, it's a problem. Investors like predictability and, as soon as a company is not predictable, stock prices fall and the company suffers, so analyst accuracy is key."

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If you're interested in speaking to Assistant Professor Khashabi, or in receiving a copy of the research paper, contact Georgina Tierney at georgina@bluesky-pr.com or call +44 (0)1582 790 700.