Defining "Investment Grade" in Patent Litigation Finance

Leveraging alternative data for investment diligence in counsel and case selection

The confidential nature of settlement data and a diverse investment landscape present challenges to systematically identifying "investment grade" opportunities in patent litigation finance. However, the patent and judiciary systems are deliberately public and rich with alternative data. In collaboration with our analytics practice, we bring a data-driven approach to investment due diligence.

Our investment mission – ***creating a market for capital to finance meritorious claims by the inventors of foundational patents*** – guides our diligence process. Breaking this down, we arrive at narrowly scoped diligence goals, some of which are quite friendly to the use of alternative data. The end result is a comprehensive investment process that centers on relationships with proven and experienced attorneys and includes an ensemble of quantitative and qualitative criteria.

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Foundational Patents

The patent prosecution process is deliberately public: the ethos of innovation and progress at the PTO go hand-in-hand with sharing information publicly in exchange for near-term exclusivity (i.e., a patent). From these public disclosures, we extract a myriad of relationships between patents – some explicit (like citations and claim rejections) and others implicit (like overlapping subject matter). The dataset tells a story, which we screen for protagonists early to the narrative and central to the plotline.

Above: frequency of forward cite counts for assets in an innovation cohort. The subject patent scores in the 99th percentile, suggesting the asset is early and foundational to the technology area.

Working with Inventors

If datasets tell stories, inventors paint pictures. We are pro-inventor, and for more than just the sake of supporting the economic incentive to innovate. We see enormous value in rounding out our quantitative landscaping with qualitative insights from a true subject matter expert.
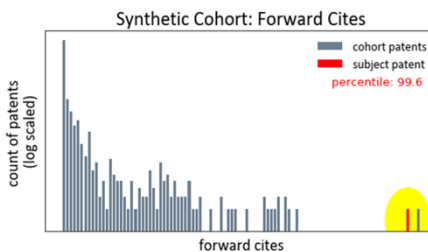
Meritorious Claims

Assessing the merits of an infringement read is a sophisticated, skill-based art. This is a major driver for our quantitative emphasis on litigation team underwriting: good attorneys drive good results on sound infringement reads. We compliment counsel's invention backstory and infringement narrative with a data-driven evaluation of their effectiveness discerning merits and driving results.

Underwriting a typical investment of $5-10 million per case or campaign requires due diligence on patents, cases, and litigators alike. It may or may not be possible to predict returns on patent litigation finance quantitatively, but it is more than reasonable to support targeted diligence considerations with alternative data. Taken another way, there are not credit scores for patent lawsuits: we are developing our own.

The synthetic innovation cohort is a fundamental building block of patent analytics at Randolph Square.

Due diligence in the litigation finance practice considers cohort scoring, benchmarking across cohorts, and related data from the PTO and judiciary system.

Randolph Square is a patent focused specialty finance provider powered by advanced analytics. We bring a capital markets approach to bespoke structuring and funding services for patent litigation. Our edge is data driven, and our roots are in technology: the finance practice emerged from robust patent analytics we continue to offer today.

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