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Call it the Eureka Index

By John Pletz
June 25, 2012

123
81
42
0
0

Patents are "a way of life" for Midtronics Inc., says CEO Steve McShane, who's standing before a wall of them.  
Stephen J. Serio

Chicago companies racked up a mountain of patents last year, most of them going to giants such as Boeing Co., Abbott Laboratories and Motorola Solutions Inc.—companies you would expect to be at the top of the intellectual-property heap.  
But the list of the most innovative companies around Chicago also includes players that are hardly household names.  
An exclusive analysis for *Crain's* by Ocean Tomo LLC, a Chicago-based boutique merchant bank specializing in intellectual property, reveals a top 25 list with surprising depth and breadth. It includes medical and manufacturing companies as well as high-technology and financial trading firms. Many are small, young companies carving out new businesses; others are behemoths reinventing themselves for their second centuries.  
Midtronics Inc., a Willowbrook-based maker of battery-testing equipment, was awarded five patents last year, compared with Boeing's 785. But Midtronics was the fourth-most innovative company, based on Ocean Tomo's scoring of the value and quality of its patents.  
**► See Chicago's biggest patent recipients and most prolific innovators**  
"We're a little guy in a big market, going up against great big companies," says Steve McShane, whose company has 209 employees and sales approaching \$100 million annually. Its equipment is found in auto dealerships and repair shops around the globe.  
He started Midtronics in 1985 with a patent discarded by his former employer, Motorola Inc. He spent a decade turning the technology, developed by a Minneapolis inventor and licensed to Motorola, into a business. Since then, Midtronics has added nearly 150 U.S. patents, displayed proudly on three walls at his company headquarters.  
In its analysis, Ocean Tomo used an algorithm to evaluate patent awards and determine which ones are most likely to be maintained by companies, a sign of their value. The firm started

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with 432 Illinois companies with at least three patents in 2011.

The highest-rated portfolio is that of Stericycle Inc., a publicly traded medical-waste disposal company with more than 10,000 employees worldwide. The Lake Forest company won three patents last year related to its Sharps needle containers.

OpinionLab Inc., a Highland Park company that gathers real-time customer feedback online, ranks second.

CEO Rand Nickerson, a psychologist, hit on the idea of an electronic consumer feedback card rather than a static survey. OpinionLab also gathers behind-the-scenes website user data for clients such as Wal-Mart Stores Inc. and Dell Inc., which use the feedback to uncover problems that keep consumers from purchasing on their websites and to measure complaints.

Founded in 1999, OpinionLab employs about 70 people and has sales between \$10 million and \$20 million. With 15 patents and 15 more pending, OpinionLab now is moving into smartphones and exploring social media. "We've got a long way to go before exhausting the marketplace," Mr. Nickerson says.

The third-most innovative company is Cummins Allison Corp., a maker of currency-counting equipment. The 125-year-old Mount Prospect company has used its patents to win a \$13 million judgment against Asian rivals and to enter new markets, such as check-handling.

The range of companies in the ranking mirrors the Chicago area's overall economy, notes Ocean Tomo CEO James Malackowski. "Illinois is really diversified, compared with most other parts of the country that are focused on just one or two areas," he says.

#### BIG RESULTS, SMALL COMPANIES

The highest patent output per employee in 2011 came from Life Spine Inc., a Hoffman Estates-based maker of spinal implants that cranked out 10 patents last year with 39 workers and an engineering team of just seven.

Life Spine received 20 of its 36 patents in the past year and has 50 more applications pending.

"We've been able to keep growing by feeding R&D," says CEO Michael Butler, who founded the company in 2004.

Zenith Electronics Corp., the TV maker that once employed thousands before it was acquired by South Korea's LG Electronics in 1999, now employs 32 people in Lincolnshire, all working on R&D as a sort of skunkworks. Last year, the team won eight patents, and



OpinionLab CEO Rand Nickerson Photo: Stephen J. Serio

#### TOP 25

Chicago's most innovative companies, according to research firm Ocean Tomo LLC's IPQ index. The firm evaluated 2011 patent awards to determine which are most likely to be maintained by companies, a sign of their value.

| PATENT QUALITY SCORE  | Number of patents |
|-----------------------|-------------------|
| Stericycle Inc.       | 180.9 3           |
| OpinionLab Inc.       | 148.2 5           |
| Cummins Allison Corp. | 144.5 15          |
| Midtronics Inc.       | 142.6 5           |
| Landauer Inc.         | 134.4 3           |
| Textura Corp.         | 130.6 6           |
| Abbott Laboratories   | 130.5 540         |
| CME Group Inc.        | 129.9 29          |

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200 since 2000.

Two life-sciences giants managed both quantity and quality. Abbott Laboratories was second-highest in total patents at 540 and ranked seventh in patent quality. Baxter International Inc., which snared 115 patents, ranked 10th.

Another pocket of strength is financial markets. CME Group Inc., the world's largest futures exchange, received 29 patents in 2011 and ranked eighth on Ocean Tomo's list.

"The marketplace has changed dramatically in the last seven or eight years, from a traditional open outcry marketplace to technology-based, electronic trading platforms," says Terrence Duffy, chairman of CME Group. "With that comes more transformation of the technology and patents associated with it."

Chicago hedge fund Citadel Investment Group LLC received three patents related to trading operations, ranking 13th in patent quality. Trading Technologies International Inc. of Chicago, which makes trading software, earned 66 patents and ranked 16th in patent quality and third in per capita output.

The list also points to potential rising stars.

Woodridge-based Elevance Renewable Sciences Inc., which makes specialty chemicals from renewable sources and has filed to go public, ranked 14th in patent quality and ninth in per capita output.

Chicago's Cleversafe Inc., which created a new way to store massive amounts of computer data, is 12th in patent quality and sixth in per capita output.

"You've got to innovate before you patent," says Ocean Tomo's Mr. Malackowski. "And early on, it tends to be focused around the products they intend to take to market. Larger companies patent more, but they abandon about half of them. They may look at three solutions for one problem."

*Sachiko Yoshitsugu contributed.*

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|   |       |     |
|---|-------|-----|
|   | 129.9 | 29  |
| Sanford L.P.                            | 129.5 | 3   |
| Baxter International Inc.               | 127.9 | 115 |
| Fellows Inc.                            | 127.0 | 12  |
| Cleversafe Inc.                         | 126.4 | 5   |
| Citadel Investment Group LLC            | 126.4 | 3   |
| Elevance Renewable Sciences Inc.        | 126.0 | 6   |
| Sportvision Inc.                        | 126.0 | 6   |
| Trading Technologies International Inc. | 125.8 | 66  |
| AudioCodes Inc.                         | 125.4 | 4   |
| HPD LLC                                 | 124.8 | 4   |
| Hospira Inc.                            | 124.7 | 14  |
| Stepan Co.                              | 124.1 | 10  |
| Allstate Corp.                          | 123.4 | 9   |
| Middleby Corp.                          | 122.9 | 9   |
| Experian Marketing Solutions Inc.       | 122.2 | 5   |
| Etymotic Research Inc.                  | 121.8 | 6   |
| Hollister Inc.                          | 121.8 | 10  |

Sources: U.S. Patent and Trademark Office, Ocean Tomo LLC, companies

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