

Non-practizing entities: Enforcement specialists?

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Abstract:

We examine whether non-practicing entities (NPEs) have a superior ability to pursue patent lawsuits.

Our model that is based on differences in the ability to pursue lawsuits predicts that NPE cases are resolved faster as long as they litigate against legally less abled opponents. We test this hypothesis using a hand-collected sample of US patent litigation cases. We indeed observe this pattern in our empirical analysis. In line with our hypothesis, the same pattern can also be observed for large firm patentees; firms that are likely to have access to a similar legal expertise. These results suggest that the comparative advantage in patent enforcement allows vertical specialization on licensing, and that it serves as a source for gains from trade on the market for patents, especially for patents sold by small innovators.