

Catherine E. Tucker, The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity, Massachusetts Institute of Technology (MIT), June 2014

This paper empirically investigates the statistical relation between levels of patent litigation and venture capital (“VC”) investment in the U.S. The paper finds that VC investment, a major funding source for entrepreneurial activity, initially increases with the number of litigated patents, but that there is a “tipping point” where further increases in the number of patents litigated are associated with decreased VC investment, which suggests an inverted U-shaped relation between patent litigation and VC investment. Strikingly, the paper finds evidence that litigation by frequent patent litigators, a proxy for PAE litigation, is directly associated with decreased VC investment with no positive effects initially.