

# **Why Do Inventors Sell to Patent Trolls? Experimental Evidence for the Asymmetry Hypothesis**

By

Stephen H. Haber and Seth H. Werfel

## **ABSTRACT**

Why do individual patent holders assign their patents to “trolls” rather than license their technologies directly to manufacturers or assert them through litigation? We explore the hypothesis that an asymmetry in financial resources between individual patent holders and manufacturers prevents individuals from making a credible threat to litigate against infringement. First, individuals may not be able to cover the upfront costs associated with litigation. Second, unsuccessful litigation can result in legal fees so large as to bankrupt the individual. Therefore, a primary reason why individual patent holders sell to PAEs is that they offer insurance and liquidity. We test this hypothesis by experimentally manipulating these financial constraints on a representative sample of inventors and entrepreneurs affiliated with Stanford University and UC Berkeley. We find that in the absence of these constraints, subjects were significantly less likely to sell their patent to a PAE in a hypothetical scenario. Furthermore, treatment effects were significant only for subjects who were hypothesized to be most sensitive to these constraints.