

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

By

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## **ABSTRACT**

Recent work suggests that Patent Assertion Entities (PAEs)—or “patent trolls”—are a new form of financial intermediary. According to this view, individual patent holders are unable to contract with large manufacturers because they lack the financial resources necessary to litigate against infringement. Since individual patent holders are heterogeneous in their constraints and preferences, the market function of PAEs should depend on their specific demands. We conducted an experiment in which subjects from a population of interest were each assigned patents that were infringed by large manufacturers in a hypothetical scenario. We relaxed the financial constraints of some patent holders and evaluated whether this randomized intervention subsequently reduced the demand for PAEs relative to costly litigation. Our results indicate that PAEs served an intermediary function for two groups in our sample: subjects who identified as inventors rather than entrepreneurs, and subjects who were relatively more sensitive to financial losses.