

PATENTS AT ISSUE: THE DATA BEHIND THE PATENT TROLL DEBATE

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INTRODUCTION

The debate over “patent trolls”¹ is raging at full tilt, and its fury is stoked by fundamental questions about patent assertion. Both sides are struggling to understand which patent assertion practices are consistent with the purpose of patent rights and which are abusive and result in net social costs. This article addresses patent assertion concretely through empirical analysis of actual infringement awards. In particular, we study all awards granted for findings of patent infringement in U.S. District Courts between the years 1995-2011, and with targeted analyses we focus on cases involving Patent Assertion Entities (PAEs). We specifically investigate certain of

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¹ We have used the term “patent trolls” in order to speak directly to participants in the debate who label various patent assertion entities “trolls” without qualification, but we have reservations about the pejorative nature of this term and retain the quotation marks to preserve a degree of impartiality. As discussed in Section II, there is no clear definition of “patent troll,” and many academics and policymakers use the term loosely to describe any patent-holder thought to be abusing their patent rights. This subjective approach suggests potential bias in empirical analysis and policy discussion. In particular, given that we are trying to understand precisely what patent assertion practices result in net social costs and can be said to abuse the rights intended to be afforded by patents, we cannot start with the tautology of labeling the abuse before we have found it. And as we stress throughout, patent assertion and patent value are intrinsically related, and there is too great a risk of inadvertently undermining socially beneficial patent value through uninformed reform efforts. Particularly when new patent value may be derived from novel patent assertion and monetization techniques and fundamental evolution of the patent marketplace, we ought to be careful to not forestall patent innovation in the name of technological progress.

the principal assumptions about patent assertion that have been raised in the debate, and further test some of the leading policy proposals that are currently being considered. In so doing, we seek to inform the “patent troll” debate and help to answer some of the key questions driving it.

Part I below discusses the background for this study, addressing the current “patent troll” debate and some of the leading reform proposals that have been advanced. Part II describes our dataset. Part III explains our empirical methodology and highlights principal findings from our previous work analyzing PAE and other Non-Practicing Entity (NPE) litigations. In Part IV, we investigate PAE assertion practices directly and analyze key questions that have been raised in the “patent troll” debate. We summarize our results and provide concluding remarks in Part V.

Our principal findings are as follows:

- A. PAE Patent Quality: We studied PAE success rates and quality-related characteristics of patents asserted in order in cases where an award was granted to the patent holder to investigate fears that PAEs typically assert low-quality patents and bring frivolous cases.
1. PAE Success Rates: We find approximately equal success rates for PAEs as for other patent claimants in the cases studied. Specifically, PAE’s won 28% (45 out of 160) of the cases they brought and all other plaintiffs won 32% (509 out of 1,591) of their cases. (The 4% difference is not statistically significant here.)
 2. Characteristics of PAE Patents: We studied certain intrinsic characteristics that have widely been associated with patent quality in cases where the PAE or non-PAE claimant, respectively, was granted an award for infringement.
 - i. Number of Claims: PAE patents had a *higher* number of claims than patents asserted by other patent-holders in the cases studied. On average, PAE patents have 33.39 claims and non-PAE patents have 21.24 claims.
 - ii. Number of Forward Citations: PAE patents had a *higher* number of forward citations than patents asserted by other patent-holders in the cases studied. Specifically, PAEs asserted patents with 22.35 forward citations on average and non-PAEs asserted patents with 19.27 forward citations on average.
 - iii. Number of Patents: PAEs asserted a *higher* number of patents per case on average than other patent-holders in the cases studied. PAEs assert 3.85 patents per case on average, while non-PAE plaintiffs assert 2.22 patents per case.
- B. PAE Litigation Strategy: We studied PAE litigation strategy along the following parameters: (i) PAE decision rates, which provides information relevant to settlement rates, (ii) venue of PAE cases, and (iii) length of PAE litigations relative to non-PAE litigations in cases finding infringement.

1. PAE Decision Rates: PAE cases account for only 9% of all cases studied in which there was a final decision on the merits. This low proportion is despite the fact that PAEs are reportedly initiating more infringement lawsuits than non-PAEs. Taken together, these findings could indicate that PAEs are more likely to settle their cases than other patent plaintiffs.
 2. PAE Venue: Approximately 50% of PAE cases are concentrated in 5 U.S. District Courts: the Eastern District of Texas, the Northern District of Illinois, the District Court of Delaware, the Northern District of California, and the Central District of California. The Eastern District of Texas also provided PAEs the highest win rate of any other District Court that decided at least 5 PAE cases. These results were not driven by one PAE litigating many times in a single venue.
 3. Length of PAE Litigations: We find no statistically significant difference between the length of fully-litigated cases brought by PAEs relative to other patent-holders. In all cases where the patent holder was successful from 1995-2011, PAE cases lasted 1,014 days (2.78 years) and non-PAE cases lasted 1,040 days (2.85 years) on average. This difference is not statistically significant.
- C. PAE Patent Acquisitions and Opponents: Finally, we delved deeper into the patents asserted and types of defendants sued by PAEs, looking for differences in (i) the age and assignment history of PAE patents vs. non-PAE patents, which speak to concerns that PAEs principally extract after-market value from patents they have acquired from inventors or technology companies, and (ii) the entity size of defendants sued by PAEs and non-PAEs in cases finding infringement.
1. Age and Assignment History of PAE Patents:
 - i. Patent Age: We find no statistically significant difference in patent age at the time of trial between PAE and non-PAE plaintiffs who were awarded damages in the cases studied. The average patent age at trial is 2,149 days (5.89 years) for PAEs and 2,318 days (6.35 years) for non-PAEs in these cases.
 - ii. Number of Assignment: PAE patents had a slightly higher number of assignments prior to trial than patents asserted by other claimants. PAE patents had 1.481 assignees on average while non-PAE patents had 1.317 assignees in the cases studied, and this difference is significant at the 5% level.
 2. Size of Defendants: PAEs tend to litigate against large companies more often than non-PAEs, although the difference is not significant. PAE's sued Fortune 500 defendants in 22% of cases and non-PAEs sued Fortune 500 defendants in 13% of cases, based on data of infringement awards in cases decided between 1995-2008.

I. BACKGROUND

The core questions in the “patent troll” debate include issues of whether and to what extent patent assertion practices take a toll on innovation,² whether PAEs are asserting low quality patents and seeking quick settlement payoffs,³ whether startups suffer more harm through patent assertions than the benefits they gain from patent market liquidity,⁴ and whether high litigation costs are shifting the economics of patent assertion to favor PAEs.⁵ These questions implicate the underlying tension between “patent monetization” and “patent assertion.” Which types of patent monetization practices are legitimate and which types exceed the intended scope of the patent grant? Does “after-market” patent value extracted by PAEs deserve the same status as the patent value derived by practicing entities? More generally, should PAEs be entitled to property rule protection for their patent rights—should they have the right to exclude infringers—or should liability rules apply? In this paper, we seek to inform the policy debate about “patent trolls” and modern patent assertion practices by studying some of the key questions concretely, through empirical analysis of patent infringement award data.

These questions are of central importance and urgency, as public attention has been captivated by the “patent troll” debate and calls for reform measures are rapidly rising. The White House recently issued a report condemning “patent trolls” and calling for investigation and remediation of many of their assertion practices.⁶ However, the Report refers to PAEs and “patent trolls” interchangeably,⁷ and it gives little guidance as to which practices are harmful on balance or what remedial measures are likely to be effective. Similarly, President Obama expressly supports legislative measures against certain patent assertion practices, stating that “our efforts at patent reform only went about halfway to where we need to go . . . [towards] smarter patent laws.”⁸ However, the Executive Branch offers no roadmap for identifying true threats and remediating them.

² See, e.g., Richard Finger, *Voicing both Sides of the Patent Troll Debate*, Forbes, Sept. 10, 2013, available at <http://www.forbes.com/sites/richardfinger/2013/09/10/voicing-both-sides-of-the-patent-troll-debate/> (discussing costs and benefits of PAE practices).

³ See Government Accountability Office, *Intellectual Property: Affecting Factors that Affect Patent Infringement Litigation Could Help Improve Patent Quality*, August 2013, available at <http://www.gao.gov/assets/660/657103.pdf> (“Several of the stakeholders we spoke with, including representatives from PMEs, operating companies, and legal commentators, said that many recent patent infringement lawsuits are related to the prevalence of low-quality patents; that is, patents with unclear property rights, overly broad claims, or both.”) [hereinafter “GAO Patent Assertion Study”].

⁴ See, e.g., Colleen V. Chien, Open Technology Institute of the New America Foundation, *Patent Assertion and Startup Innovation* (Sept. 2013), available at http://www.newamerica.net/publications/policy/patent_assertion_and_startup_innovation [hereinafter “Chien Startup Study”].

⁵ See, e.g., Executive Office of the President, *Patent Assertion and U.S. Innovation* (June 2013) at 9 (“the harassing litigation tactics of some PAEs, combined with substantial litigation costs . . . have added significant costs to the innovation ecosystem”), available at http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf [hereinafter “White House Report”].

⁶ *Id.*

⁷ *Id.* at 2 (“This report looks particularly at firms who do not practice the patents they own and instead engage in aggressive litigation to collect license and other fees from alleged infringers. A review of the evidence suggests that on balance, such *patent assertion entities (PAEs)* (also known as “*patent trolls*”) have had a negative impact on innovation and economic growth.”).

⁸ President Obama, Speech delivered February 14, 2013.

Academic scholarship and policy papers are further engaging in the “patent troll” debate from a variety of angles. A recent study by Bessen and Meurer seeks to measure the costs of NPEs on practicing firms, estimating “\$29 billion of direct costs in 2011.”⁹ Chien studies the costs and benefits of patent assertion on technology startups, based on surveys of venture capitalists and technology firms.¹⁰ This study concludes that the costs on small firms exceeds the benefits of increased liquidity in patent markets. Among the reform proposals, Chien recommends specific legislative measures including (1) requiring patent plaintiffs to identify in their initial demand letters the specific basis for infringement claims and disclose licenses they have previously granted under the asserted patents,¹¹ and (2) imposing statutory limits on the liability of startups and their customers for patent infringement.¹²

Additionally, the GAO recently issued a study of PAE activity, based on interviews of 44 stakeholders knowledgeable about patent assertion and analysis of a random sample of 500 lawsuits from 2007-2011 reported in Lex Machina, RPX and other sources.¹³ The GAO sought to study four objectives, namely: “(1) what is known about the volume and characteristics of recent patent litigation activity; (2) what is known about the key factors that contribute to recent patent litigation trends; (3) what developments in the judicial system may affect patent litigation; and (4) what actions, if any, has the Patent and Trademark Office (PTO) recently taken that may affect patent litigation in the future.”¹⁴ Among their findings, the GAO reported that the number of infringement suits increased significantly in 2011,¹⁵ and PAEs (termed “Patent Monetization Entities” or “PMEs” in the report) brought approximately 19% of all suits in the four years studied.¹⁶ The GAO study also reported evidence of practicing entities partnering with PAEs in order to enforce their patents, such as by suing their competitors while avoiding the risk of countersuit.¹⁷ The GAO also found a high incidence of software patents being asserted, with approximately 46% of all suits and 84% of PAE suits during this time period involving software patents.¹⁸ The GAO also reported data on venue and outcomes of recent PAE lawsuits,¹⁹ among other characteristics.

Most recently, the FTC has launched an investigation of PAEs, their patent holdings and the assertion and licensing practices they conduct. On September 27, 2013, the FTC commenced the public comment period for a “proposal to gather information from approximately 25

⁹ James Bessen and Michael J. Meurer, *The Direct Costs from NPE Disputes* (working paper 2012).

¹⁰ Chien Startup Study, *supra* note 4.

¹¹ *Id.* at 4 (“Make patent risks more manageable for startups by requiring demand letters and complaints to disclose the real-party in interest, claim charts, related litigations and reviews, and licenses that could cover the target.”).

¹² *Id.* at 4 (“Make startups less attractive targets by limiting the liability of downstream users and the precedential value of the settlements signed by small companies.”).

¹³ GAO Patent Assertion Study, *supra* note 3, at 4-5 (describing data and methodology).

¹⁴ *Id.* at 48.

¹⁵ *Id.* at 14.

¹⁶ *Id.* at 17.

¹⁷ *Id.* at 19.

¹⁸ *Id.* at 21-22.

¹⁹ *Id.* at 23-26.

companies that are in the business of buying and asserting patents, known as [PAEs].”²⁰ The FTC proposed a formal Section 6(b) study intended to “provide a better understanding of PAE activity and its costs and benefits.”²¹ The proposed information requests seek extensive information regarding each PAE’s corporate structure, patent holdings, patent portfolio valuation and organization (*i.e.*, the PAE’s rationale for organizing its patent assets into specific portfolios and methods for valuing these portfolios), details of all patent acquisitions, transfers and licenses in/out, details of all patent assertion activity (including demands as well as formal litigation), and financial information regarding costs and revenues associated with their patent holdings.²² Information requests will also be sent to 15 other entities that assert patents in the wireless communications field.²³

It is important to note that the FTC investigation was motivated by an earlier finding by the FTC that there is “a lack of empirical data” regarding PAE practices and their effects.²⁴ This is somewhat at odds with the rising calls for substantive legislative reforms being voiced by academics and policymakers. Particularly given the symbiotic relationship of patent assertion and patent value, the stakes are high to ensure that efforts intended to prevent abusive practices do not accidentally also undermine patent value. To walk this tightrope, it is crucial to develop an empirical understanding of patent assertion practices and their true costs and benefits.

This delicate balance is reminiscent of the patent reform debates leading up to passage of the America Invents Act (AIA). At the time, many were concerned that patent infringement awards were “excessive” and “unpredictable,” and legislative measures were proposed to increase the burdens of proof on patent-holders and substantively limit their remedies.²⁵ The potential side-effects of these prescriptions were unknown, but support for them continued to grow among academics and policy makers alike. Against this backdrop, we published an empirical study that called into serious question whether damage awards were indeed “excessive.”²⁶ We found that the awards distribution of decided cases is highly skewed by a very small number of very large and noticeable “blockbuster” verdicts. Furthermore, award value is highly deterministic and predictable from observed factors.²⁷ This analysis strongly suggested that the risk of devaluing U.S. patent assets by curtailing infringement remedies significantly outweighed any specific idiosyncratic issues affecting award value. In the end, the AIA did not enact changes to the law of infringement remedies, and the reforms that had been proposed to Section 284 on damages were left on the Senate floor.

²⁰ Federal Trade Commission, Press Release, *FTC Seeks to Examine Patent Assertion Entities and Their Impact on Innovation, Competition*, Press Release Sept. 27, 2013, available at <http://www.ftc.gov/opa/2013/09/paestudy.shtml>.

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*, citing December 2012 FTC/DOJ workshop on PAE activity.

²⁵ See, e.g., Senate Report on the Patent Reform Act of 2009, S. Rep. 111-18, at 8 (May 12, 2009) (“damage awards . . . are too often excessive and untethered from the harm that compensatory damages are intended to measure”).

²⁶ Michael J. Mazzeo, Jonathan Hillel and Samantha Zyontz, *Explaining the “Unpredictable”*: An Empirical Analysis of U.S. Patent Infringement Awards, *Int’l Rev. L. & Econ.* (2013), pp. 58-72, at 58-60.

²⁷ *Id.* at 66.

Today, we face a similar set of questions, and a similar lack of data analysis, about the empirical costs and benefits of patent assertion practices. It is crucial that we determine which patent assertion practices are harmful and which are legitimate—that is, which patent plaintiffs are “trolls” and which are properly enforcing their rights. In the sections that follow, we aim to inform the debate with direct analysis of PAE practices based on litigated infringement cases.

II. DATASET

Our analysis of PAEs and their assertion practices focuses on cases litigated in U.S. District Courts that have resulted in a final decision on validity, infringement and liability. As such, this study offers a specific perspective of patent assertion by PAEs—we are not dealing with demand letters or filed complaints, and instead we focus on cases that have reached a final decision on infringement liability.

One might question this approach, particularly given that many of the concerns regarding PAE practices relate to the costs and other potential harms of pending and threatened litigation, not only the final liability of an infringement award. In fact, the information available from decided cases offers important insight into assertion practices and also provides a roadmap for further areas of inquiry. For example:

- Decided cases are the end result of patent assertions. There is no way to assess the risk and magnitude of infringement liability *ex ante* without knowing the data on awards and patent-holder success rates. And, although the vast majority of patent cases settle, settlements are negotiated in the shadow of litigation. Both parties must evaluate litigation expectations in order to determine their settlement strategy.
- Decided PAE cases also provide some insight into PAE litigation practices. Decided cases offer detailed data for a number of important assertion parameters, such as (1) where PAEs file their cases, (2) the types of defendants they sue, (3) the industries in which they operate, and (4) the characteristics of the patents they assert. Understanding the “who,” “what” and “where” of PAE assertions is critical to assessing the actual costs and comparative benefits of these practices.
- Furthermore, decided cases provide a unique perspective on PAE litigation strategy and success rates, insights that cannot be gleaned from case filings or survey data alone. Decided cases allow us to evaluate PAE success rates in court (which informs *ex ante* risk assessment), measure the length of PAE proceedings relative to other patent cases (which relates to litigation expenses), and infer the settlement rates of PAEs relative to other types of patent-holder plaintiffs (which provides evidence of PAE incentives).
- Finally, and perhaps most relevant to the central question raised in the “patent troll” debate, analysis of PAE decided cases relative to non-PAE decided cases provides a means to assess whether PAEs on average are “abusing” their patent rights, and whether proposed reforms can effectively prevent such abuse. If there are significant differences between PAE decided cases and non-PAE decided

cases, these variations could reflect abusive practices and give clues as to how to prevent them. Conversely, if PAE cases are indistinguishable from similar non-PAE cases, this undermines arguments of PAE “abuse” and moreover raises the specter that efforts to curtail PAE assertions might also undermine the rights of practicing entities, their ability to enforce these rights and the overall value they can realize from their patent holdings.

- Yet, there are important limitations to data on decided cases that must be kept in mind when interpreting these results. Particularly when examining litigation practices of PAEs—such as the types of entities they sue, the venues they select, the full extent of litigation costs attributable to their assertions, and their settlement behavior—decided cases are only one piece of the puzzle. Cases filed that do not result in a final decision, and assertions that do not even involve a filed case, may behave differently than decided cases. Similarly, if patent-holder wins and losses are significantly different, results drawn from cases awarding damages for infringement may be limited. As mentioned above, data on decided cases can be invaluable to several lines of inquiry, and as with all data it must be properly interpreted so that accurate conclusions can be drawn.

Our dataset of decided patent cases and damage awards is based upon a database licensed to us by PricewaterhouseCoopers (PwC), which regularly publishes annual and periodically updated Patent Litigation Studies analyzing its data (the “PwC Studies”).²⁸ The PwC Studies are regularly cited by policy makers (including the FTC in its reports) and academics. The version of the PwC database used here contains all decided patent cases reported in Westlaw from 1995 through 2011. We supplemented the PwC data with several additional variables regarding the cases, parties and patents-at issue, and performed various statistical analyses to reach the conclusions reported herein (see Section III below for discussion of our methodology).

The PwC dataset contains 1,751 patent cases reported in Westlaw that were decided between 1995 and 2011 and reached a decision on patent validity and infringement at summary judgment or trial. 554 of such cases included a finding of validity and infringement for at least one of the patents asserted, and of those cases, 421 had publicly reported award amounts or were cases related to Abbreviated New Drug Application (ANDA) litigation—of these, 45 were ANDA cases with \$0 awards (since damages are not available in ANDA cases). In total, 376 cases resulted in awards greater than \$0.

PwC also tracks whether the patent-holder in each case is an NPE or a practicing entity, and the PwC database further codes three sub-types of NPE: NPE-university, NPE-individual and NPE-company. PAEs fall into the third category, and accordingly we concentrate our analysis here. PwC defines an NPE as “an entity that does not have the capability to design, manufacture, or distribute products with features protected by the patent,”²⁹ and we employ this definition here.

²⁸ See PricewaterhouseCoopers, *2013 Patent Litigation Study* [hereinafter “2013 PwC Study”].

²⁹ *Id.* at 34.

We recognize that the definition of “PAE” varies widely across empirical studies, other scholarship and policy papers. As one notable example, the White House Report considers all PAEs to be “patent trolls” and vice versa, and by implication (but without an identifiable distinction) excludes from this definition any NPEs that “play an important role in U.S. innovation ecosystem, for example by connecting manufacturers with inventors.”³⁰ By contrast, the FTC in its recent proposed inquiry defines PAEs as “firms with a business model based primarily on purchasing patents and then attempting to generate revenue by asserting the intellectual property against persons who are already practicing the patented technology.”³¹ Also, Chien defines NPE as “an entity that asserts patents as a business, not including universities or startups,” and uses the terms PAE and NPE interchangeably.³² This variety of definitions causes confusion and complicates the task of identifying the specific assertion practices associated with PAEs and studying their likely effects. We find that the PwC definition, which is rooted in objective characteristics of the patent-holder, provides a more objective basis for initial study. An important task for future research would be to determine a common set of definitions that the field could agree upon and work from.

III. METHODOLOGY AND RELEVANT PRIOR RESULTS

Our empirical methodology is summarized as follows. We supplemented the PwC dataset by coding additional variables relating to the parties, cases and patents at issue, generating a comprehensive dataset comprising over 120 variables for each case record. There are several unique features of our dataset relevant to the present study. In particular, our variables include the size of the defendant (measured in terms of Fortune ranking), the time to trial (measured in days between the initial case filing and actual trial), and characteristics of the asserted patents, such as numbers of claims, forward citations and patent age, which respectively speak to the breadth of the patent right, prominence relative to the prior art and currency in technology markets at the time asserted.

Using this dataset, we first conducted a series of distributional analyses to measure statistics relating to case rates, patent-holder successes, skewedness of award amounts and relate time trends. Next we conducted large-scale regression analyses to determine overall predictability of award value based on our observed variables, and further to identify the key determinants of award value. Then, we focused on a small number of specific variables to analyze their particular effects on award size. Drawing from academic literature and the policy debates, we targeted factors that have been the basis of concern, such as whether the patent-holder is an NPE and whether the underlying “economic value” of the patents asserted correlates with the final award amount.³³ Finally, we addressed key points of the policy debates directly, conducting specialized analyses to investigate the assumptions made and main issues raised.³⁴

³⁰ White House Report, *supra* note 5, at 1.

³¹ Federal Trade Commission, *supra* note 20.

³² Chien Startup Study, *supra* note 4, at 35 n.2 and n.5.

³³ Several studies have found correlations between these intrinsic patent characteristics and the likelihood of patents being asserted in litigation; and these studies typically use assertion as a proxy for “patent value.” See e.g., Lanjouw, J. O. and Mark Schankerman, *Characteristics of Patent Litigation: A Window on Competition*, Rand J. Econ. Vol. 32, no. 1, pp. 129-51 (2001); Lanjouw, J. O. and Mark Schankerman, (cont’d)

Two of our previous studies using this dataset have been published in peer-reviewed law and economics journals. The first, *Explaining the Unpredictable*, analyzes whether patent infringement awards are “excessive” or “unpredictable,” questions that were central to the patent reform debates preceding passage of the America Invents Act.³⁵ We conducted large-scale distribution and regression analyses, and we found infringement awards to be highly skewed, with the top 8 awards accounting for nearly 50% of the cumulative award amount for the 306 cases through 2008. We also found awards to be highly predictable, with our factors explaining over 75% of the variation in award value.³⁶

Our second study, *Do NPEs Matter?*, focused on NPE cases and analyzed whether significant variations could be observed between damages awarded to NPEs relative to practicing entities (controlling for other case-related factors).³⁷ It principally found that there is no statistically significant difference between NPE cases and practicing entity cases in terms of the distribution of award amounts.³⁸ However, it also observed lower win rates³⁹ and slightly lower award⁴⁰ amounts for NPEs relative to practicing entities.

Importantly, we also found that PAE awards behave noticeably differently than other NPE awards. Relative to individuals, we observed that PAEs have higher success rates (although universities tend to be more successful than other NPEs—universities also have higher success rates than the average for all patent litigants).⁴¹ Additionally, PAEs generally are awarded larger amounts of damages than either individuals or universities in the cases in which they are successful. Our regression analyses also found a positive coefficient for the PAE variable, indicating that PAEs generally receive equivalent or slightly higher awards than other types of patent-holders.⁴² The latest 2013 PwC Study shows consistent results, finding higher median awards for NPEs relative to practicing entities.⁴³

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Protecting Intellectual Property Rights: Are Small Firms Handicapped?, J. L. and Econ. Vol. XLVII, no. 1. pp. 45-74 (2004); Lanjouw, J. O. and Mark Schankerman, *Patent Quality and Research Productivity: Measuring Innovation with Multiple Indicators*, Econ. J., Vol. 114, pp. 441-65 (2004). See also John R. Allison, Mark A. Lemley & J.H. Walker, *Valuable Patents*, 92 Geo. L.J., 435 (2004); John R. Allison, Mark A. Lemley & J.H. Walker, *Extreme Value or Trolls on Top? The Characteristics of the Most Litigated Patents*, 158 U.Penn.L.Rev. 1 (studying litigation rates of patents in specific industries); Shawn P. Miller, *What's the Connection Between Repeat Litigation and Patent Quality? A (Partial) Defense of the Most Litigated Patents*, 16 Stan. Tech. L. Rev. 313 (2013).

³⁴ Where noted, certain of our analyses utilize data on cases decided between 1995-2008, and other analyses address cases decided between 1995-2011. We are currently updating our dataset to include all variables for recent cases.

³⁵ Mazzeo, Hillel and Zyontz, *Explaining the “Unpredictable”*, *supra* note 26.

³⁶ *Id.* at 63.

³⁷ *Id.* at 65-66.

³⁸ Michael J. Mazzeo, Jonathan H. Ashtor and Samantha Zyontz, *Do NPEs Matter? Non-Practicing Entities and Patent Litigation Outcomes*, *forthcoming* Journal of Competition Law & Economics (2013).

³⁹ *Id.* at *12-13..

⁴⁰ *Id.* at *17-19.

⁴¹ *Id.* at *18.

⁴² *Id.* at *12-13.

⁴³ *Id.* at *17-19.

The following summarizes the key findings of our previous work that are most relevant to the “patent troll” debate addressed herein:⁴⁴

- The proportion of decided NPE cases relative to all cases has remained relatively stable over time. Notably, many studies including the 2013 PwC Study have observed a significant increase in case filings by PAEs,⁴⁵ and coupled with our results, this could reflect to some extent a greater willingness of PAEs to settle their claims rather than litigate to a final decision.⁴⁶
- There is a noticeable shift from individuals to PAEs in cases decided in the most recent years studied. Several policy papers and academics have questioned whether PAEs provide valuable remuneration to inventors by acquiring or licensing their patents, and this data offers support for such transfers, showing that patents are now being asserted more frequently by PAEs than by individuals.
- PAEs are more successful than individuals in case outcomes, which is consistent with the hypothesis that they have greater expertise at determining which patents to assert and litigating their claims. Coupled with evidence of upstream patent transfers, this suggests that PAEs may provide a specialized function in the patent marketplace, efficiently separating technology development from patent enforcement and monetization. These efficiency gains could flow back to inventors and practicing entities that license and use patent rights in the form of more accurate market valuations of patent assets and greater liquidity in patent transactions. However, PAEs may also be commanding high profits from their assertion practices, which may appropriate some of the efficiency benefits for their private gain.
- The distribution of NPE awards is not statistically different than that of other awards. That is, NPE cases are distributed heavily towards low-value cases with only very few high-value outcomes, and the distribution is indistinguishable from that of practicing entity cases. This suggests that despite their specialized expertise, NPEs on the whole face similar litigation risks and factors affecting final award value as do practicing entities.
- Importantly, NPEs overall are somewhat less successful in the case outcomes than practicing entities, both in terms of findings of validity and infringement and in terms of damage award levels in successful cases. As mentioned, PAEs are more successful than individuals, although universities are more successful than PAEs.

⁴⁴ *Id.* at *3-4.

⁴⁵ 2013 PwC Study, *supra* note 28, at 3.

⁴⁶ Of course, since settlements are mutual agreements, the defendant’s willingness to settle is also relevant here. Furthermore, since there are other forms of case disposition than only settlements or final decisions, including dismissal on motion or voluntarily, consolidations, stays, etc., and since there is a significant time lag between case filing and final disposition, we cannot determine the extent to which this data corresponds to actual settlements.

IV. ANALYSIS OF PAE ASSERTION PRACTICES

Our analysis of PAE assertion practices focuses on three principal categories of questions and policy recommendations raised in the “patent troll” debates, namely (A) PAE patent quality, (B) PAE litigation practices, and (C) PAE patent markets and opponents. The following identifies the specific questions posed, describes our analyses to evaluate them and reports our results.

A. *PAE Patent Quality*

A major basis for concern in the “patent troll” debate is the fear that PAEs often assert patents of poor quality and ambiguous claim scope. It is feared that PAEs do this in order to extract settlements from a broad range of accused infringers, who despite the weakness of the claims, prefer to pay-off the PAE than engage in costly litigation. For example, the White House Report states that PAEs extract settlement fees by “acquiring and asserting broad patents, some of questionable validity.”⁴⁷ The Report continues to describe how PAEs “acquire patents whose claim boundaries are unclear, and then (with little specific evidence of infringement) ask many companies at once for moderate license fees, assuming that some will settle instead of risking a costly and uncertain trial.”⁴⁸ To address these concerns, the Report, as well as several academics, have recommended enacting higher standards of patentability, limiting software and business method patents, and enhancing procedures to challenge patents and scrutinize patent quality.⁴⁹ We study these concerns by evaluating PAE success rates, and analyzing specific quality-related characteristics of patents they assert:

1. PAE Success Rates

We conducted targeted analyses of decided PAE cases and the patents asserted by PAEs in these cases to test the assumption that PAEs typically assert lower quality patents than other plaintiffs. Specifically, we first studied the success rates of PAEs relative to other types of NPEs and practicing entities, on the theory that if PAEs generally assert lower quality patents, this should be reflected in lower success rates in cases that are fully litigated. If PAE patents are generally lower quality, they are more likely to be held invalid or non-infringed in decided cases.

We find that PAEs have approximately the same success rate as all other cases with decisions between 1995 and 2011. In our database, PAE’s won 28% (45 out of 160) of the cases they brought and all other plaintiff’s won 32% (509 out of 1,591) of their cases. The 4% difference here is not statistically significant.⁵⁰ This could suggest that the cases brought by PAEs that reach final decision are not in fact weaker on their merits than any other case, and the patents asserted by PAEs in decided cases are not of lower quality than other plaintiffs’ patents.

2. Quality-Related Characteristics of PAE Patents

⁴⁷ White House Report, *supra* note 5, at 4.

⁴⁸ *Id.*

⁴⁹ *Id.* at 13; *see also* Chien Startup Study, *supra* note 4, at 4.

⁵⁰ A chi-squared test resulted in a test statistic of 1.005 and a p-value of 0.316.

Next, we studied several intrinsic quality-related characteristics of the patents asserted by PAEs in cases where they were successful, to look for differences between PAE patents and practicing entity patents. We specifically analyzed the following factors of PAE patents relative to practicing entity patents in cases finding infringement: (1) number of claims, (2) number of forward citations and (3) number of patents asserted. These factors have been found to correlate with higher likelihood of a patent being asserted in the first instance,⁵¹ as well as higher resulting award amounts in successful suits.⁵²

With respect to the number of claims, we find that PAE patents have more claims than those asserted by non-PAE cases with an infringement award. On average, PAE patents have 33.39 claims and patents in other cases have 21.24 claims. This result is not strongly significant, but it could indicate patents of somewhat greater complexity being brought by PAEs.⁵³ Furthermore, this appears to be at odds with the popular fear of PAEs asserting very broad and vague patents of uncertain claim scope. A higher number of patent claims suggests possibly greater specificity of claim scope, as dependent claims add limitations that further refine the metes and bounds of the protected invention. Although there is considerable anecdotal evidence of PAEs asserting broad and ambiguous patents,⁵⁴ case data suggests that these individual examples might not reflect the general rule.⁵⁵

With respect to the number of forward citations, we find that there are significant but small differences in the average number of forward citations for PAE patents in cases finding infringement. On average, PAE patents had 22.35 forward citations and non-PAE patents had 19.27 forward citations.⁵⁶ Forward citations have been widely recognized to correlate with patent value and quality, indicating a greater recognition and importance of the claimed invention in follow-on patented technologies. The higher number of forward citations therefore also suggests, contrary to popular belief, that PAEs on average assert higher quality patents than non-PAEs in cases finding infringement.

With respect to the number of patents asserted, we find that the average number of patents asserted by PAEs in cases awarding damages is higher than the average number of

⁵¹ See *supra* note 33.

⁵² See Mazzeo, Hillel and Zyontz, *Explaining the “Unpredictable”*, *supra* note 26, at, at 69.

⁵³ This analysis included 339 cases, 27 of which involve PAEs. A t-test for equal means with unequal variances provides a t-statistic of -1.363 and a p-value of 0.184. An additional non-parametric two-sample Wilcoxon rank-sum test was also run since the data does not follow a normal distribution particularly well. The test statistic is $z = -2.153$ with a p-value of 0.031, which again suggests the differences are more significant than given by the standard t-test.

⁵⁴ See, e.g., Chien Startup Study, *supra* note 4, at 25 (“[M]any survey respondents don’t find [NPE suits] to be socially productive assertions—but rather involving frivolous or overbroad patents, and frustrating rather than furthering competition.”).

⁵⁵ A similar dynamic took place around fears of the “excessiveness” of infringement awards. Although there were a few very large awards that garnered substantial media attention and aggravated popular concern, these were substantially larger than the vast majority of awards and resulted in a highly skewed distribution. Mazzeo, Hillel and Zyontz, *Explaining the “Unpredictable”*, *supra* note 26, at, at 63.

⁵⁶ This analysis included 339 cases, 27 of which involve PAEs. A t-test for equal means with unequal variances provides a t-statistic of -0.725 and a p-value of 0.473. An additional non-parametric two-sample Wilcoxon rank-sum test was also run since the data does not follow a normal distribution particularly well. The test statistic is $z = -1.683$ with a p-value of 0.092.

patents asserted in successful non-PAE cases.⁵⁷ On average, PAEs assert 3.85 patents per case, while other plaintiffs assert 2.22 patents per case. The difference is statistically significant at the 15% level at least.⁵⁸ A higher number of patents in successful cases could suggest more robust and meritorious claims of infringement, although it also suggests a greater complexity in these cases that could increase litigation costs on both sides.

Taken together, to the extent these characteristics are robust indicators of patent quality, PAEs appear to assert patents of at least as good if not *greater* quality as those asserted by other plaintiffs in cases awarding damages for infringement.

B. PAE Litigation Practices

Certain patent assertion practices often associated with PAEs have been cited as abusive and opportunistic in the “patent troll” debate. We investigated the prevalence of these practices and compared them to litigation activity by other patent plaintiffs. Specifically, we studied (1) PAE decision rates, (2) the length of PAE litigations, and (3) typical venues of PAE cases.

1. PAE Decision Rates

It has widely been complained that “PAEs often threaten to sue with the intention of extracting license fees or settlement payments.”⁵⁹ Indeed, this approach to patent assertion is consistent with the incentives involved in litigation by PAEs—injunctions are generally not available to PAEs under *eBay*,⁶⁰ and given that they do not compete in the relevant markets, PAEs cannot prove lost profits and therefore are predominantly entitled to reasonable royalties as their measure of damages.⁶¹ PAEs also do not derive indirect benefits from tying up defendants in costly litigation—unlike practicing entities, they do not stand to gain market share or tarnish their opponents’ reputations. Accordingly, it may often be preferable for a PAE to settle its lawsuit for some amount equal to or greater than the expected reasonable royalty award, less litigation fees and expenses avoided (and discounted for time value and uncertainty).

PAE decision rates are consistent with this incentive structure. For instance, a recent GAO report found that PAEs filed 59% of all patent lawsuits filed in the US in 2012, and previous years show increasing proportions towards this high mark.⁶² However, we observe that the proportion of NPEs in decided cases—wins and losses combined—has remained relatively constant through 2011 (although the proportion of PAE cases has increased to some extent). On average, PAE cases account for only 9% of all cases in which there was a final decision on the

⁵⁷ These analyses use awards granted from 1995-2008 in our dataset.

⁵⁸ Total cases for this analysis equal 339, 27 of which are PAE cases. A t-test for equal means with unequal variances provides a t-statistic of -1.505 and a p-value of 0.144. An additional non-parametric two-sample Wilcoxon rank-sum test was also run since the data does not follow a normal distribution particularly well. The test statistic is $z = -2.313$ with a p-value of 0.021, which suggests the differences are more significant than given by the standard t-test.

⁵⁹ White House Report, *supra* note 5, at 6.

⁶⁰ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). It would also be useful to investigate whether PAE incentives to settle have changed after the *eBay* decision.

⁶¹ *See Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1157 (6th Cir. 1978).

⁶² US Government Accountability Office (Jeruss, Feldman and Walker, 2012)

merits.⁶³ This difference between filings and decisions provides some support for the hypothesis that PAEs often have greater incentives to settle their suits than practicing entities.⁶⁴

2. Length of PAE Litigations

It has recently been posited that PAEs are more likely to prolong their lawsuits with the intent of driving up their opponents' litigation expenses and potential settlement value. The White House Report states that "PAEs have an incentive to drag out litigation, to increase pressure on defendants to settle the case."⁶⁵ The Report cites studies suggesting that the risks and costs of litigation favor PAEs, "whose legal fees are low (since they do not have to provide much evidence to assert that there has been patent infringement), and who do not have to pay the fixed costs of a manufacturing operation."⁶⁶ Others, such as Chien, have raised concerns over the impact on the defendant's operations during the pendency of a PAE trial, arguing that these burdens are particularly harmful to startups and other small entities.⁶⁷

There is some theoretical basis to question the claim that PAEs benefit from longer rather than shorter litigation. Given that PAEs are generally not entitled to injunctions or lost profits, defendants in PAE cases might actually face *lower* operational risks than defendants sued by patent-holders who practice their patents or compete in the same markets. Defendants sued by PAEs face lower risk of preliminary injunctions, which immediately interrupt the accused activity and could impose massive operational costs. These defendants also typically do not face the risk of permanent injunctions at the conclusion of the lawsuit, which could be disruptive to the extent they remain engaged in the infringing activity. Also, without lost profits available, the measure of damages shifts to a royalty on the defendant's revenues derived from the infringing product, which the defendant may have more ability to control and accordingly may pose less risk than lost profit damages. This suggests that PAEs might in fact derive fewer benefits from protracted litigation than practicing entities.

Information about the length of decided litigations provides direct data to investigate this point. We measured the number of days between the initial complaint and start of trial for PAE and non-PAE cases that went to trial and received an award.⁶⁸ We find that from 1995 through 2008, there was no statistical difference between the length of PAE and non-PAE cases. On average, PAE cases lasted 935 days (2.56 years) from complaint to trial and non-PAE case lasted 1,026 days (2.81 years).⁶⁹ We also conducted the same analysis on cases awarding damages for infringement that were decided from 1995 through 2011. Once again, there was no significant

⁶³ Jeruss, Sara, Robin Feldman and Joshua Walker, *The America Invents Act 500: Effects of Patent Monetization Entities on US Litigation*, 11 Duke L & Tech. Rev. 357 (2012).

⁶⁴ Although as noted above, other factors in addition to settlements likely contribute to the disparity between case filings and decision rates, such as dismissals, consolidations and other case dispositions, and incentives of both parties are relevant in actual settlement agreements.

⁶⁵ White House Report, *supra* note 5, at 6.

⁶⁶ *Id. citing* Tucker 2012.

⁶⁷ Chien Startup Study, *supra* note 4, at 16-17.

⁶⁸ Based on cases decided through 2008 in which the patent-holder was successful.

⁶⁹ This analysis included 281 cases, 25 of which involve PAEs. A t-test for equal means with equal variances provides a t-statistic of 0.696 and a p-value of 0.492. An additional non-parametric two-sample Wilcoxon rank-sum test was also run. The test statistic is $z = 0.191$ with a p-value of 0.849.

difference in the length of litigation for PAE cases relative to non-PAE cases. Over the longer 1995-2011 time frame, PAE cases lasted 1,014 days (2.78 years) on average and non-PAE cases lasted 1,040 days (2.85 years) on average.⁷⁰

3. PAE Venue

Venue in patent cases is a highly contentious issue, and PAEs in particular have long been accused of forum shopping by bringing suit in courts favorable to them and inconvenient to their defendants. Certain U.S. Districts in particular, the Eastern District of Texas being the most notable example, are known to be hot beds of PAE activity. Part of the issue is based in the federal laws governing venue, under which a defendant may be sued in any U.S. District that has personal jurisdiction over the defendant for that suit. Personal jurisdiction in patent cases is often satisfied if the defendant has sold or offered for sale the accused product in the relevant District.⁷¹ Accordingly, many defendants find themselves sued in Districts far from their principal places of business, which raises the costs and inconvenience of litigation if they cannot achieve transfer to a more favorable venue.⁷²

Empirically, there is also evidence that certain venues are particularly favorable to PAEs. For example, the 2013 PwC Study found that 39% of all NPE decided cases from 1995-2012 were concentrated in five Districts, with the Eastern District of Texas having the highest percentage of decisions.⁷³ The Eastern District of Texas also has one of the highest overall success rates for NPE plaintiffs relative to other Districts.⁷⁴

We find very similar results in our data on PAEs from 1995-2011. Approximately 50% of PAE cases are concentrated in 5 district courts: the Eastern District of Texas, the Northern District of Illinois, the District Court of Delaware, the Northern District of California, and the Central District of California. The Eastern District of Texas also provided PAEs the highest win rate of any other district court that saw at least 5 PAE cases. None of these results were driven by a single PAE litigating many times in any one place.

These results are also in line with those of non-PAE cases. The same courts appear at the top of both lists and both types of plaintiffs have similar success rates. The only difference is that the Central District of California appears a bit further down the list for non-PAEs. To that end, it is not clear that PAEs engage in forum shopping to a greater extent than any other patent plaintiffs.

⁷⁰ This analysis included 416 cases, 35 of which involve PAEs. A t-test for equal means with equal variances provides a t-statistic of 0.288 and a p-value of 0.775. An additional non-parametric two-sample Wilcoxon rank-sum test was also run. The test statistic is $z = -0.446$ with a p-value of 0.656.

⁷¹ 28 U.S.C. § 1400(b); *VE Holding Corp. v Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

⁷² Jake Holdreith, *IP: The failure of venue and joinder reform in patent litigation*, Inside Counsel, April 9, 2013, available at <http://www.insidecounsel.com/2013/04/09/ip-the-failure-of-venue-and-joinder-reform-in-pate> (discussing venue transfer on motion and other litigation practices after passage of the AIA).

⁷³ 2013 PwC Study, *supra* note 28, at 24.

⁷⁴ *Id.*

C. *PAE Patent Acquisitions and Opponents*

1. Age and Assignment History of PAE Patents when Asserted

Another core concern about PAE litigation is that they extract after-market value from patents at the expense of practicing entities by asserting claims from older patents after the inventions have disseminated through the relevant industries. For example, PAEs have been noted to acquire portfolios from defunct entities whose technologies have entered the marketplace. Whereas practicing entities might face barriers to asserting these patents—for example, from the threat of “blocking patents” being asserted against them in retaliation and the necessity of a cross-license to continue practicing their rights, PAEs may have more freedom to bring such claims because they do not manufacture or sell products that could be the basis of infringement claims. Furthermore, older patents may increase the risk of hold-up, whereby irreversible investments may have been made in the technology, preventing design-around and other efforts to avoid ongoing infringement.

With respect to patent age, we find that there is no difference in patent age at the time of trial for PAE and non-PAE plaintiffs that win in court. The average patent age at trial for PAEs is 2,149 days (5.89 years) and 2,318 days (6.35 years) for non-PAEs.⁷⁵ This difference is not statistically significant, so it does not appear that PAEs generally asserted older patents in cases awarding them damages for infringement.

Similarly, we examined the number of assignments prior to litigation of PAE patents vs. practicing entity patents. If PAEs acquire their patents predominantly through after-market transactions, we would expect to see more assignments in patents asserted by PAEs than by practicing entities on average. We find that in cases decided from 1995 – 2008, there is a significant (at the 5% level), but very small difference in the average number of assignees to the patents on which damages were awarded for PAEs relative to non-PAEs, with PAE patents have a slightly higher number of prior assignments.⁷⁶ PAE patents had 1.481 assignees on average whereas non-PAE patents had 1.317 assignees on average.⁷⁷

According to both of these parameters, patent age and number of assignments, patents asserted by PAEs look very similar to patents asserted by practicing entities in cases awarding damages for infringement.

2. Size of Defendants in PAE Suits

⁷⁵ This analysis used awards granted from 1995-2008 in our dataset. It included 338 cases, 27 of which involve PAEs. A t-test for equal means with equal variances provides a t-statistic of 0.473 and a p-value of 0.637. An additional non-parametric two-sample Wilcoxon rank-sum test was also run. The test statistic is $z = 0.431$ with a p-value of 0.666.

⁷⁶ We note that further work is required to determine the exact assignment histories of these patents.

⁷⁷ This analysis included 339 cases, 27 of which involve PAEs. A t-test for equal means with equal variances provides a t-statistic of -1.296 and a p-value of 0.196. An additional non-parametric two-sample Wilcoxon rank-sum test was also run. The test statistic is $z = -2.07$ with a p-value of 0.038.

Chien and others have focused on particular issues that arise when startups are sued by PAEs.⁷⁸ Although any litigation exposure is harmful for a fledgling business, patent infringement suits are often considered to be especially difficult to predict and avoid in certain technology fields, particularly in the Silicon Valley information and computer technology industries where software patents, component-based inventions and mobile technology are prevalent.⁷⁹ Chien’s survey data also suggests that PAEs often target startup companies who are on the verge of VC financing rounds, acquisitions and other major transactions, in order to drive up settlement values.⁸⁰

We examined the entity size of all patent defendants sued by both PAEs and non-PAEs across our dataset, to determine whether, among decided cases, a significant difference can be observed in the entity size of the defendant. With respect to suits brought by PAEs, we find that PAEs tend to sue large Fortune 500 firms more often than non-PAEs, although the difference is not significant.⁸¹ PAE’s sued Fortune 500 defendants in 22% of their cases and non-PAEs sued Fortune 500 defendants in 13% of their cases in which damages were awarded.⁸² This data could suggest that patent assertions by practicing entities pose an equal or greater threat to startups as do suits by PAEs.⁸³ However, as mentioned above, given that our data includes only decided cases, this result may be driven in part by smaller entities settling before a final judgment—data on cases filed by PAEs vs. practicing entities and the size of the defendants sued by them respectively would need to be studied directly to confirm.

V. CONCLUSIONS

Our findings reveal a number of important facts about PAEs and their patent assertion practices, some of which are directly contrary to popular positions in the “patent troll” debate. Rather, in some respects this data paints a very different picture of PAEs, showing them in some cases to assert patents and conduct litigation in ways that are highly similar to other patent-holders enforcing their rights. From the perspective of decided cases, it is very difficult to distinguish the “trolls” from any other patent plaintiff.

Some important caveats should be noted. We do not address settled cases directly, or demand letters and licensing arrangements that do not involve litigation,⁸⁴ and it is possible that PAEs significantly differ from practicing entities when it comes to out-of-court assertion practices. However, as discussed above, decided cases provide useful information on assertion generally and the expectations of parties in settlement and licensing negotiations—at minimum,

⁷⁸ See generally Chien Startup Study, *supra* note 4.

⁷⁹ *Id.* at 9.

⁸⁰ *Id.* at 11-12.

⁸¹ This analysis uses awards granted from 1995-2008 in our dataset.

⁸² In this analysis there were 340 cases, 27 of which were PAEs. A chi-squared test resulted in a test statistic of 1.589 and a p-value of 0.207 (Fisher’s exact = 0.244).

⁸³ Notably, this data affords only a partial picture as it does not include settlements, and startups might in fact settle significantly more frequently when sued by PAEs than by practicing firms. The absolute incidence of suits by PAEs against startups and magnitude of resulting liabilities and other costs should be necessary to complete the picture.

⁸⁴ See GAO Patent Assertion Study, *supra* note 3, at 26 (“patent assertion occurs without firms ever filing lawsuits”).

our findings highlight the need to empirically study patent assertion practices in their various forms before robust conclusions can be drawn and policies can be implemented. Also, we note further that our dataset focuses primarily on cases finding infringement (with the exception of success rates and certain other findings that include patent-holder losses), and the number of PAE cases in our dataset is relatively low, so some refinement to these results can be expected with more data.

To briefly summarize our results, regarding patent quality, we do not find evidence of PAEs generally asserting lower quality of patents or litigating cases that are weaker on their merits than other patent-holders. Instead, in some instances we find evidence of PAEs asserting higher quality patents than other plaintiffs in cases where damages were awarded. This could indicate that PAEs are developing specialized expertise at patent assertion and are being highly selective about the patents they acquire and assert.

Regarding litigation practices, we do not see evidence of PAEs “drawing out” their lawsuits to a greater extent than other patent-holders. Also, we do not find significant differences in venue for PAE cases compared with other patent-holders; accordingly, to the extent the District concentrations we observe indicate forum shopping by PAEs, non-PAE plaintiffs appear to engage in similar tactics. These results suggest further similarity between PAEs and practicing entities in the ways they litigate their patent suits.

Regarding patent acquisitions by PAEs and the types of companies they target in assertion, contrary to popular belief, PAEs do not appear to assert significantly older patents than other patent-holders. PAE defendants appear to be roughly the same size or possibly larger than defendants sued by practicing entities across decided cases awarding damages. Additional work is needed to determine which types and sizes of entities PAEs are likely to sue, and the magnitude of the impact that PAEs have on startups and other small entities.

On the whole, our findings suggest that the realities of PAE assertion practices are complex, and it is difficult to identify clear signs of abuse or misuse of their patents relative to other plaintiffs. Rather, the similarities we observe between PAEs and practicing entities highlight the risk that attempts to limit PAE’s enforcement rights or restrict the remedies available to them could inadvertently impact all patent-holders and cause adverse effects on the ability of practicing entities to enforce and otherwise monetize their patents. These results counsel caution in designing policies aimed at PAEs and patent assertion practices.

Moreover, these results further indicate that modern patent assertion practices may yield unique efficiencies and benefits relative to traditional enforcement actions by practicing firms. We need to understand the relationship between modern patent assertion, patent monetization and patent value in its variety of forms before we can identify which practices “promote progress” and which prevent it. True “patent trolls” are difficult to find, and all patent rights are at issue in the hunt to apprehend them.