

Do Intellectual Property Rights Influence Patent Disputes in the U.S.?

An Examination of IPR scores versus Patent Disputes

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My paper investigates whether stronger intellectual property rights (IPR), defined as exclusive rights over creations of the mind by the authors of the intellectual property rights index (De Soto, 2007), influence the number of patent disputes. In alignment with the conceptual framework, I expected my findings to support my hypothesis that stronger intellectual property rights result in fewer patent disputes.

Based on contract law literature, people's ideas and inventions are more protected in a country with a strong IPR system. Without strong intellectual property rights, contracts are often likely to be breached, forcing many parties to enter the legal system to resolve their dispute (Cooter, 2012). Granstrand (2005) makes a strong argument for the importance of intellectual property rights. Through his examinations of the American legal and economic systems, he has found that without strong contract law, people are not only less likely to be innovators, but also less likely to invest in innovation, and less likely to diffuse information on innovative breakthroughs. There is also an increased chance for contract breaches. According to Granstrand, strong intellectual property rights secure innovation to inventors, investors, and the public, supporting my hypothesis that patent lawsuits will decrease as intellectual property rights increase.

To test my hypothesis, I used the IPR score measures for the United States for each year from 2007-2014 from the Intellectual Property Rights Index reports (De Soto, 2007-2014). The IPR score represents the strength of IPR in the U.S. I also gathered the number of patent lawsuits each year in the United States for the same period range from Patexia's data collection on patent litigation (Patent, 2015). For this study, I focus on patent disputes, where each dispute represents

a separate patent lawsuit filed within that year. I ran a first difference of variables and then plotted a univariate regression of the differences of the variables to describe the expected direction of the relationship. This descriptive analysis suggests that an increase in IPR score resulted in a decrease in the number of patent lawsuits filed in the US between 2007 and 2014.

This paper set out to investigate the hypothesis that the number of patent disputes decreases as intellectual property rights increases and from the descriptive analysis, the results support this hypothesis. Based on the study's findings, I would argue that with stronger intellectual property rights, parties and individuals are less likely to breach contracts. Therefore, with a high IPR score, we are likely to see fewer numbers of patent lawsuits. For future research, I would suggest incorporating control variables, over a much longer period and use more robust statistical techniques to investigate this topic.