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The Effect of Opportunistic Litigation on Firms' Collaborative Behavior

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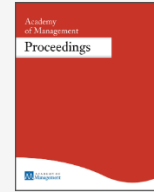
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Abstract

Although there is evidence showing the negative impact of opportunistic litigation from patent assertion entities (PAE's) on sued companies, little is still known about how these companies react to this adverse event. In this paper, we suggest that companies respond to PAE litigation by forming strategic alliances. The paper argues that this reaction aims to ensure access to resources sued companies need for maintaining their operations. Given the high costs of PAE litigation, affected companies devote financial and managerial resources to litigate, which reduces resources available for running their operations. The paper examines empirically whether PAE litigation increases sued firm propensity to form strategic alliances. A novel database matching alliance formation, litigation and financial information for U.S. publicly traded companies in high-tech industries is created for the empirical analysis. Our results confirm that PAE litigation lead sued companies to form more strategic alliances. This effect is particularly strong in contexts in which litigation costs and financial

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