Abstract

This thesis examines the impact of judicial verdicts on patent holders’ stock prices. Our dataset contains 40 companies which were involved in a legal dispute concerning patent infringement or patent invalidity and which were judged by the England and Wales High Court (patent court). This work states three main hypotheses which are examined within the empirical part. To understand the impact of a judgement on the stock price of the patent holder we used an event study which measures the impact of economic events on stock prices. We divided the main hypothesis into two parts. The first part examines whether the stock price increases in case of a trial victory and the second part tests whether the stock price decreases in case of a trial defeat. Our empirical analysis refused an alternative hypothesis and so the first part was confirmed. Nevertheless our results did not confirm the second part of the first hypothesis and the stock price shows the positive abnormal return even in case of a trial defeat. On the basic of these results we conclude that judgements influence the stock price in some specific cases but they are not a dominant factor. However we confirm the next hypothesis that the stock price reacts more sensitively to the judgement’s announcement in a trial concerning patent invalidity than in a trial concerning patent infringement. This paper contributes to present literature about patent litigation, etc. as well as to the studies focus on factors affecting the stock price. The main goal of this work was to fill up a gap in the literature focus on this issue.